STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

DEAN H. SEKI
COMPTROLLER

HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2013

DEAN H. SEKI
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

STATE OF HAWAII

Comprehensive Annual Financial Report Table of Contents

June 30, 2013

PART I: INTRODUCTORY SECTION

	Page
Principal Officials for Finance-Related Functions	1
State of Hawaii Organizational Chart	2
Letter of Transmittal	3
Government Finance Officers Association ("GFOA") Certificate	8

PART II: FINANCIAL SECTION

Independent Auditors' Report	11
Management's Discussion and Analysis (Unaudited)	14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	32
Statement of Activities	34
Fund Financial Statements:	
Balance Sheet — Governmental Funds	36
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds	38
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	39

Comprehensive Annual Financial Report Table of Contents

June 30, 2013

	Page
Statement of Fund Net Position — Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Fund Net Position — Proprietary Funds	42
Statement of Cash Flows — Proprietary Funds	43
Statement of Fiduciary Net Position — Fiduciary Funds	45
Statement of Changes in Net Position – OPEB Trust Fund	46
Statement of Net Position — Component Units	48
Statement of Revenues, Expenditures, and Changes in Net Position — Component Units	52
Notes to Basic Financial Statements	54
Required Supplementary Information (Unaudited):	
Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) — General Fund	108
Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) — Med-Quest Special Revenue Fund	109
Notes to Required Supplementary Information	110
Reconciliation of the Budgetary to GAAP Basis — General Fund and Med-Quest Special Revenue Fund	111
Schedules of Funding Progress	112
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	118

	Page
Combining Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) — Nonmajor Special Revenue Funds	120
Reconciliation of the Budgetary to GAAP Basis — Nonmajor Special Revenue Funds	126
Nonmajor Proprietary Funds:	
Combining Statement of Fund Net Position	127
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	129
Combining Statement of Cash Flows	130
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position — Agency Funds	132
Combining Statement of Changes in Assets and Liabilities — Agency Funds	133

PART III: STATISTICAL SECTION (UNAUDITED)

Schedules of Financial Trends Information:	
Net Position by Component, Last Five Fiscal Years	136
Changes in Net Position, Last Five Fiscal Years	137
Fund Balances, Governmental Funds, Last Five Fiscal Years	138
Changes in Fund Balances, Governmental Funds, Last Five Fiscal Years	139

Comprehensive Annual Financial Report Table of Contents

June 30, 2013

	Page
Schedules of Revenue Capacity Information:	
Personal Income by Industry, Last Ten Fiscal Years	140
Personal Income Tax Rates, Last Six Calendar Years	141
Taxable Sales by Industry, Last Five Fiscal Years	142
Sales Tax Revenue Payers by Industry, Last Five Fiscal Years	143
Schedules of Debt Capacity Information:	
Ratios of Outstanding Debt by Type, Last Five Fiscal Years	144
Ratios of Net General Bonded Debt Outstanding, Last Five Fiscal Years	145
Legal Debt Margin Information, Last Five Fiscal Years	146
Pledge Revenue Coverage, Last Five Fiscal Years	147
Schedules of Demographic and Economic Information:	
Demographic and Economic Statistics, Last Ten Fiscal Years	148
Ten Largest Private Sector Employers, 2013 and 2004	149
State Employees by Function, Last Five Fiscal Years	150
Schedules of Operating Information:	
Operating Indicators by Function, Last Five Fiscal Years	151
Capital Assets Statistics by Function, Last Three Fiscal Years	153

PART I: INTRODUCTORY SECTION

STATE OF HAWAII

Principal Officials for Finance-Related Functions

June 30, 2013

Dean H. Seki
Comptroller

Maria E. Zielinski
Deputy Comptroller

Governor	**Neil Abercrombie**
Director of Finance	**Kalbert K. Young**
Director of Taxation	**Frederick D. Pablo**
Comptroller	**Dean H. Seki**
Deputy Comptroller	**Maria E. Zielinski**

Notes:

The Director of Finance is also department head of the Department of Budget and Finance.

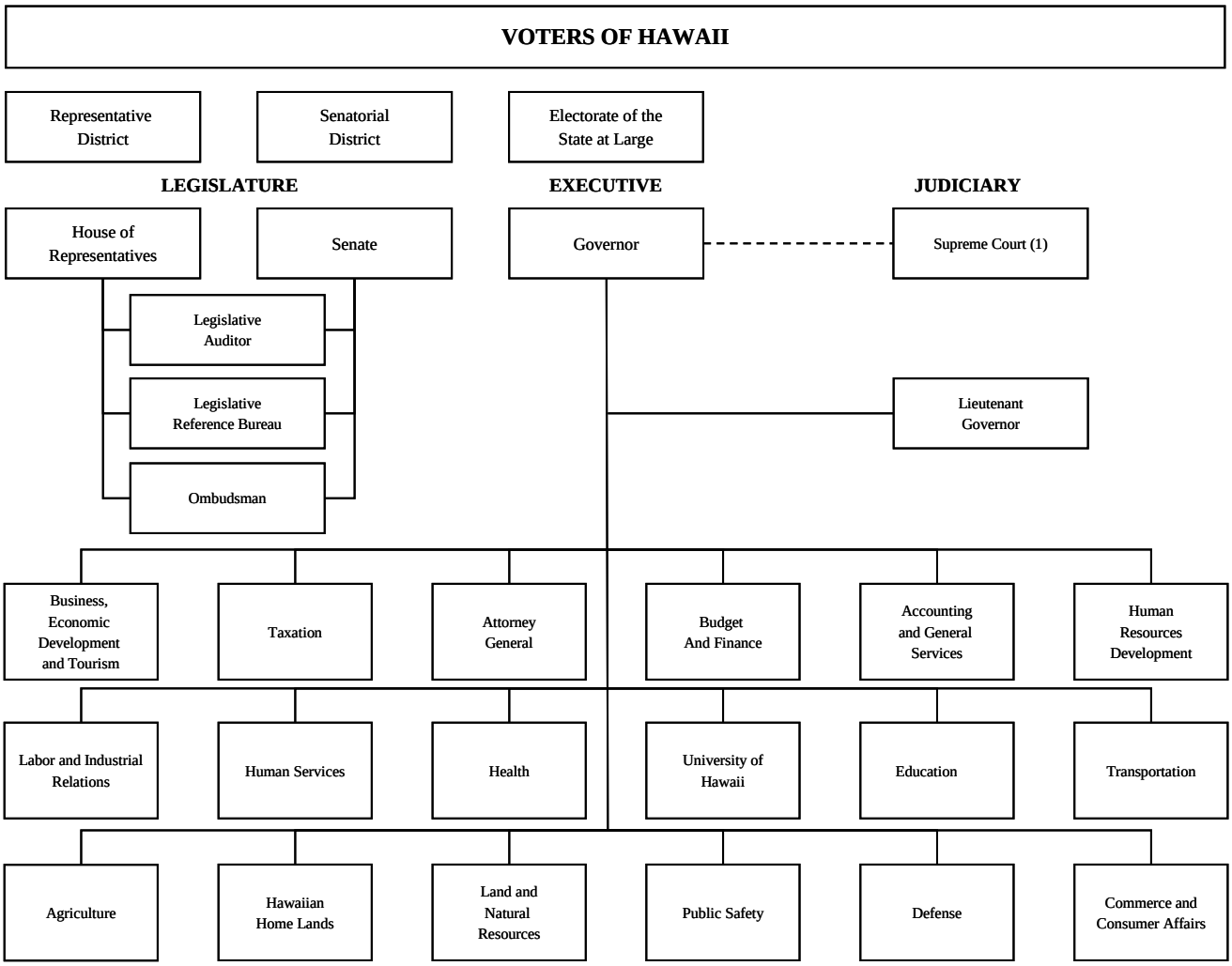
The Comptroller is also department head of the Department of Accounting and General Services.

An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

STATE OF HAWAII

Organizational Chart

June 30, 2013



(1) The Governor's appointment of justices of the Supreme Court confirmed by the Senate.

NEIL ABERCROMBIE
GOVERNOR

Dean H. Seki
Comptroller

Maria E. Zielinski
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

January 27, 2014

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Twenty-Eighth State
Legislature of the State of Hawaii:

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Hawaii (State) for the fiscal year ended June 30, 2013. The State's Department of Accounting and General Services has prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. We believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), basic financial statements, notes to basic financial statements, and supplementary information. The statistical section includes selected financial and demographic information.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A is included in Part II of this report.

THE REPORTING ENTITY AND ITS SERVICES

With Hawaii's highly centralized state government, the State provides a full range of services as mandated by statute. These services include, but are not limited to, education (lower and higher), welfare, transportation (highways, airports, and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

This report includes the various funds comprising the State, including all entities that are accountable to the State. The Employees' Retirement System of the State of Hawaii, which is administered on behalf of public employees for both the state and county governments, and the Office of Hawaiian Affairs, which exists for the betterment of the conditions of native Hawaiians, are not included in the State's basic financial statements because those agencies, based on their fiscal independence and/or separate legal entity status, are not accountable to the State.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the State operates.

State of the Economy

Overview

During the first nine months of 2013, Hawaii's economic indicators for the tourism industry, tax revenues, the construction industry, and unemployment were all positive. The civilian labor force and the total non-agricultural wage and salary jobs increased.

Labor

After ten consecutive quarterly decreases in jobs from the second quarter of 2008 to the second quarter of 2010, Hawaii's jobs increased for the twelfth consecutive quarter. During the first nine months of 2013, Hawaii's total civilian employment averaged 616,300 persons, an increase of 3,750 persons or 0.6% over the same period in 2012. The number of wage and salary jobs was up 8,000 to 616,300 for an increase of 1.3%. Job increases were most notable in natural resources, mining, & construction (2,850); other services (1,600); food services & drinking places (1,450); and health care & social assistance (1,150). A few sectors experienced declines including government (1,500), retail trade (400), and educational services (350). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 4.8% for the first nine months of 2013, compared to 6.1% for the same period in 2012.

Taxes

Tax revenues distributed to the State's General Fund increased $174.3 million, or 4.4%, during the first nine months of 2013 compared to the same period in 2012. All components reflected an increase during this same period. Individual net income tax collections increased $103.3 million or 8.5%, general excise and use tax (GET) collections increased $59.7 million, or 2.8%, and transient accommodations tax (TAT) collections were up $32.2 million, or 12.1%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased $4.8 billion, or 4.0% in the first half of 2013 compared to the same period in 2012. Among its components, the fastest growth was seen in dividends, interest & rent of 13.5%, proprietors' income of 9.1%, and wages and salary disbursements of 3.6%. Contributions for government social insurance, which are subtracted from personal income, decreased by 18.4%.

Prices

Honolulu's consumer price index (CPI) increased 1.8% for the first half of 2013 compared to the same period in 2012, higher than the 1.5% United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in food and beverage (3.9%), medical care (2.8%), recreation (2.6%), and housing (2.0%). The prices also increased for education and communication (1.8%) and other goods and services (1.4%). Prices decreased for apparel (2.3%) and transportation (0.2%).

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2013, total visitor arrivals by air increased 225,171 or 4.3% compared to the same period of 2012. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 2.8% while international arrivals increased 7.7%. Similarly, total visitor days (visitor arrivals multiplied by average length of stay) were up 2.6% in the first nine months of 2013 compared to the same period of 2012 and total visitor spending increased $433.0 million or 4.1% over the same period. Statewide hotel occupancy rate averaged 77.6% in the first nine months of 2013, 1.4% lower than the average rate during the same period of 2012.

Construction

Hawaii's construction industry was one of the major contributors to job growth during the 2002-2007 years. Since the second quarter of 2008 to the second quarter of 2012, the quarter-over-quarter growth rate has been negative. However, in the third quarter of 2013, the construction sector gained 3,200 jobs or 10.8% compared with the same quarter of 2012. During the first nine months of 2013, construction jobs increased by 2,850 or 9.8% compared to the same period of 2012. The total value of new private building authorizations increased $140.9 million or 7.5% for the first nine months of 2013 compared to the same period of 2012.

Outlook for Hawaii's Economy

The latest Department of Business, Economic Development and Tourism (DBEDT) forecast for Hawaii's economy is continued positive growth for the rest of 2013 and into 2014. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies. International conditions or prospects that affect Hawaii's economy such as the European debt crisis, China domestic demands and natural disaster recoveries in the Philippines. The November 2013 Blue Chip Economic Consensus Forecasts expected real GDP growth in 2014 to increase 2.5% for the U.S. and 1.8% for Japan.

In 2014, visitor arrivals, visitor days, and visitor expenditures are predicted to increase 2.7%, 2.8%, and 4.2%, respectively.

DBEDT projects total non-agricultural wage and salary jobs to increase 1.8% in 2014. Real Personal Income is expected to increase 3.3% in 2014 with real GDP projected to increase 2.8% in 2014.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.1% in 2014. The State GDP deflator is expected to grow 2.0% in 2014.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and maintaining the State's accounting system, consideration is given to the effectiveness of internal control, which is designed to accomplish certain objectives of management, including:

1. Transactions are executed in accordance with management's general and specific authorization.

2. Transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and to maintain accountability for assets.

3. Access to assets is permitted only in accordance with management's authorization.

Internal controls are designed to provide reasonable, but not absolute, assurance that the above objectives were accomplished. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the State's internal controls are effective in accomplishing management's objectives.

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2013 and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. In 2013 the Legislature created a new bargaining unit. This bargaining unit will be composed of State and county employees, relocating individuals from two existing collective bargaining units into the new Bargaining Unit 14. It is unknown at this time when terms for a collective bargaining agreement for this new unit will become effective.

Of the other 13 collective bargaining units, twelve include State employees. Two collective bargaining agreements expired June 30, 2013 and those bargaining units remain engaged in the collective bargaining process with the employer. Five units have collective bargaining agreements in effect through June 30, 2015. Five units have collective bargaining agreements that will be in effect through June 30, 2017.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements

for the fiscal year ended June 30, 2013. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We extend our appreciation to the staff of the various State agencies whose dedicated time and effort made the preparation of this report possible. Their combined efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the State.

Respectfully submitted,

DEAN H. SEKI
Comptroller, State of Hawaii

MARIA E. ZIELINSKI
Deputy Comptroller, State of Hawaii

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Hawaii

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

PART II: FINANCIAL SECTION

This page intentionally left blank

Deloitte & Touche LLP
Suite 2700
999 Bishop Street
Honolulu, HI 96813-4454
USA

Tel: +1 808 543 0700
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Auditor
State of Hawaii:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 32–105) as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these respective financial statements based on our audit. We did not audit the financial statements of the Department of Transportation — Airports and Harbors Divisions, which are major enterprise funds, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Employer-Union Health Benefits Trust Fund, which are nonmajor enterprise funds, and the University of Hawaii, the Hawaii Housing Finance and Development Corporation, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Hurricane Relief Fund, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units. These financial statements that we did not audit reflect the following percentages of total assets and program revenues or additions for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Program Revenues/Additions
Governmental Activities	- %	- %
Business-Type Activities	94%	59%
Aggregate Discretely Presented Component Units	100%	100%
Fiduciary Funds	50%	7%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation — Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Employer-Union Health Benefits Trust Fund, the University of Hawaii, the Hawaii Housing Finance and Development Corporation, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Hurricane Relief Fund, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Hawaii's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective net position or financial position of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14-30), Schedule of Revenue and Expenditures — Budget and Actual (pages 108-109 and 120-125), and Schedules of Funding Progress (page 112) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the respective financial statements that collectively comprise the State of Hawaii's basic financial statements. The combining and individual fund statements and schedules (pages 116–119 and 127–133), introductory section (pages 1-7) and statistical section (pages 135-153) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of the State of Hawaii's management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including compiling and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Deloitte & Touche LLP

Honolulu, HI
January 27, 2014

As management of the State of Hawaii (the "State"), we offer readers of the State's basic financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3–7 of this report.

Financial Highlights

Government-Wide Highlights

The assets of the State exceeded its liabilities at June 30, 2013 by $4.8 billion (net position). Unrestricted net position which may be used to meet the State's ongoing obligations to citizens and creditors was a negative $1.8 billion, an increase of $24.4 million from the previous year. Net position of governmental activities and business-type activities decreased by $84.4 million and increased by $391.5 million, respectively. The combined increase to the State was $307.1 million from the prior fiscal year.

Fund Highlights

At June 30, 2013, the State's Governmental Funds reported combined ending fund balances of $1.9 billion, an increase of $485.2 million from the prior fiscal year. Of this amount, $1.4 billion, or 73.7%, of total fund balances was in the General Fund, and the remaining $509.8 million represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net fund position at June 30, 2013, of $3.6 billion, an increase of $391.5 million during the fiscal year.

Liabilities

The State's liabilities increased during the current fiscal year to $13.0 billion, an increase of $807.1 million. During fiscal 2013, the State issued General Obligation bonds in the amount of $397.0 million to advance refund $435.1 million of previously issued outstanding General Obligation bonds. In addition, the State issued $444.0 million in General Obligation bonds and $26.0 million in taxable General Obligation bonds for the purpose of financing or reimbursing the State of Hawaii for the Hawaiian Home Lands Settlement and for financing capital projects. The State did not issue Revenue Bonds during fiscal 2013.

In accordance with GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, the State increased the liability for Postemployment Benefits Other Than Pension, to $3.1 billion, an increase of $556.3 million for the fiscal year ended June 30, 2013.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) Government-Wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the State's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues ("governmental activities") from other functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the State include general government, public safety, conservation of natural resources, highways, health, welfare, education, culture and recreation, urban redevelopment and housing, economic development and assistance, and interest on long-term debt. The business-type activities of the State include the Department of Transportation — Airports Division ("Airports"), Department of Transportation — Harbors Division ("Harbors"), and the Unemployment Compensation Fund, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The Government-Wide financial statements include not only the State itself (known as the "Primary Government"), but also the activities of seven legally separate Component Units: the Hawaii Community Development Authority, the Hawaii Health Systems Corporation, the Hawaii Housing Finance and Development Corporation, the Hawaii Hurricane Relief Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, and the University of Hawaii, comprised of the State's public institutions of higher education, for which the State is financially accountable. Financial information for these Component Units is reported separately from the financial information presented for the Primary Government itself. The Component Units issue separate financial statements containing management's discussion and analysis.

The Government-Wide financial statements can be found on pages 32–34 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide financial statements, Governmental Funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities in the Government-Wide financial statements.

Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund, and Med-Quest Special Revenue Fund, each of which is considered to be a major fund. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining financial statements in the supplementary information section of this report.

The State adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund and each Special Revenue Fund to demonstrate compliance with this budget. The budgetary comparison schedule for the General Fund is located in the required supplementary information and the budgetary comparison statements for each of the Special Revenue Funds are located in the supplementary information section of this report.

The basic Governmental Funds financial statements can be found on pages 36–39 of this report.

Proprietary Funds

Proprietary Funds are used to show activities that operate more like those of commercial enterprises. They are known as Enterprise Funds because they charge fees for services provided to outsiders. They are used to report the same functions presented as business-type activities in the Government-Wide financial statements. The State uses Enterprise Funds to account for the operations of Airports, Harbors, the Unemployment Compensation Fund, and its other business-type activities.

Proprietary Funds provide the same type of information as the Government-Wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for Airports, Harbors, and the Unemployment Compensation Fund, each of which are considered to be major funds of the State. Conversely, the other business-type activities are combined into a single, aggregate presentation in the Proprietary Funds financial statements.

The basic Proprietary Funds financial statements can be found on pages 40–44 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the State. Fiduciary Funds are not reflected in the Government-Wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Funds financial statements can be found on page 45–46 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and fund financial statements. The notes to basic financial statements can be found on pages 54–105 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents the combining financial statements referred to earlier in connection with nonmajor Governmental and Fiduciary Funds. These statements are presented immediately following the notes to basic financial statements. The total columns of these combining financial statements carry to the applicable fund financial statements.

Government-Wide Financial Analysis

The following financial analysis focuses on the Primary Government (governmental and business-type activities of the State). Separate financial statements for each of the State's Component Units, including their respective management's discussion and analysis, can be obtained from the Department of Accounting and General Services.

Net position is a useful indicator of a government's financial position. For the State, total assets exceed liabilities by $4.8 billion as of June 30, 2013, and net position increased $307.1 million, or 6.8%, over the course of this fiscal year's operations. The net position of the governmental activities decreased by $84.4 million, or 6.3%, and business-type activities had an increase of $391.5 million, or 12.3%. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position

June 30, 2013 and 2012
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	$ 3,664,426	$ 3,001,480	$ 2,664,900	$ 2,369,460	$ 6,329,326	$ 5,370,940
Capital assets, net	8,929,329	8,833,349	2,533,079	2,473,197	11,462,408	11,306,546
Total assets	12,593,755	11,834,829	5,197,979	4,842,657	17,791,734	16,677,486
Liabilities:						
Long-term liabilities	9,508,549	8,952,869	1,486,514	1,518,782	10,995,063	10,471,651
Other liabilities	1,839,670	1,552,059	144,096	147,983	1,983,766	1,700,042
Total liabilities	11,348,219	10,504,928	1,630,610	1,666,765	12,978,829	12,171,693
Net position:						
Net investment in capital assets	2,863,379	2,794,481	1,599,483	1,560,267	4,462,862	4,354,748
Restricted	1,051,548	930,294	1,068,146	966,042	2,119,694	1,896,336
Unrestricted	(2,669,391)	(2,394,874)	899,740	649,583	(1,769,651)	(1,745,291)
Total net position	$ 1,245,536	$ 1,329,901	$ 3,567,369	$ 3,175,892	$ 4,812,905	$ 4,505,793

Analysis of Net Position

By far, the largest portion of the State's net position ($4.5 billion or 92.7%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position ($2.1 billion or 44.0%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative $1.8 billion or negative 36.8% represents unrestricted net position.

At June 30, 2013, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's other postemployment benefit liability of $3.1 billion.

Changes in Net Position

The State's net position increased by $307.1 million, or 6.8%, during the fiscal year ended June 30, 2013. Approximately 56.5% of the State's total revenues came from taxes, while 26.8% resulted from grants and contributions (including federal aid). Charges for various goods and

services provided 16.1% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, general government, and highways.

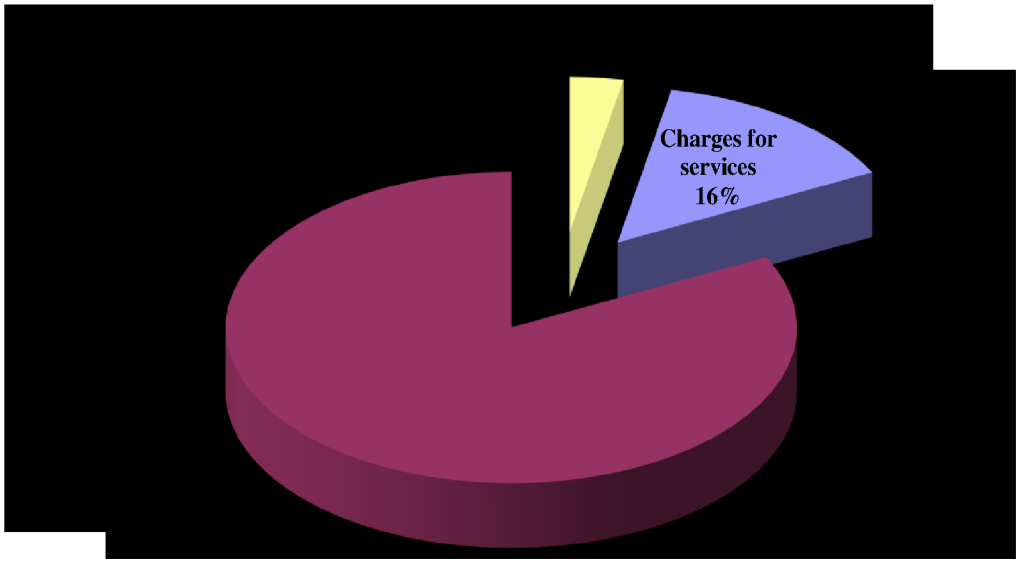
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2013 and 2012
(Amounts in thousands)

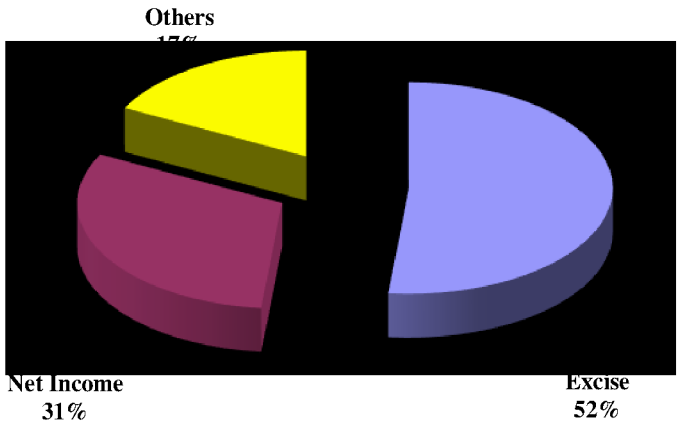
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 494,647	$ 421,145	$ 1,154,047	$ 1,149,559	$ 1,648,694	$ 1,570,704
Operating grants and contributions	2,589,537	2,370,437	-	-	2,589,537	2,370,437
Capital grants and contributions	96,184	97,322	64,313	85,899	160,497	183,221
General revenues:						
Taxes	5,796,549	5,358,622	-	-	5,796,549	5,358,622
Investment income and other	25,502	5,347	33,633	4,164	59,135	9,511
Total revenues	9,002,419	8,252,873	1,251,993	1,239,622	10,254,412	9,492,495
Expenses:						
General government	531,839	552,788	-	-	531,839	552,788
Public safety	451,946	502,002	-	-	451,946	502,002
Highways	490,091	516,924	-	-	490,091	516,924
Conservation of natural resources	52,208	96,349	-	-	52,208	96,349
Health	813,190	773,288	-	-	813,190	773,288
Welfare	2,798,053	2,464,582	-	-	2,798,053	2,464,582
Lower education	2,592,125	2,598,444	-	-	2,592,125	2,598,444
Higher education	654,611	672,716	-	-	654,611	672,716
Other education	20,086	16,753	-	-	20,086	16,753
Culture and recreation	94,679	111,628	-	-	94,679	111,628
Urban redevelopment and housing	173,677	23,888	-	-	173,677	23,888
Economic development and assistance	172,602	209,460	-	-	172,602	209,460
Interest expense	241,677	243,938	-	-	241,677	243,938
Airports	-	-	366,918	353,541	366,918	353,541
Harbors	-	-	90,548	84,826	90,548	84,826
Unemployment compensation	-	-	336,931	468,610	336,931	468,610
Nonmajor proprietary fund	-	-	66,119	169,166	66,119	169,166
Total expenses	9,086,784	8,782,760	860,516	1,076,143	9,947,300	9,858,903
Change in net position	(84,365)	(529,887)	391,477	163,479	307,112	(366,408)
Net position – beginning of year	1,329,901	1,859,788	3,175,892	3,012,413	4,505,793	4,872,201
Net position – end of year	$ 1,245,536	$ 1,329,901	$ 3,567,369	$ 3,175,892	$ 4,812,905	$ 4,505,793

The following charts depict revenues of the governmental activities for the fiscal year:

Program Revenues by Source — Governmental Activities
Fiscal Year Ended June 30, 2013



Tax Revenues by Source — Governmental Activities
Fiscal Year Ended June 30, 2013



Analysis of Changes in Net Position

The State's net position increased by $307.1 million during the current fiscal year. This is explained in the governmental and business-type activities discussion, and is primarily due to decrease in net position of governmental activities of $84.4 million offset by increases in net position of Unemployment Compensation Fund of $173.1 million, Airports of $122.1 million, Harbors of $27.6 million, and Nonmajor Proprietary Funds of $68.7 million.

Governmental Activities

Governmental activities decreased the State's net position by $84.4 million. The elements of this decrease are reflected below:

	Governmental Activities (Amounts in thousands)	
	2013	**2012**
General revenues:		
Taxes	$ 5,796,549	$ 5,358,622
Interest and investment income and other	25,502	5,347
Total general revenues	5,822,051	5,363,969
Expenses, net of program revenues:		
General government	18,757	38,688
Public safety	407,183	463,945
Highways	313,526	351,757
Conservation of natural resources	(16,969)	36,699
Health	582,276	573,125
Welfare	1,097,537	1,003,240
Lower education	2,203,050	2,216,887
Higher education	654,611	672,716
Other education	20,086	16,753
Culture and recreation	91,430	108,859
Urban redevelopment and housing	141,583	(9,402)
Economic development and assistance	151,669	176,651
Interest expense	241,677	243,938
Total governmental activities expenses, net of program revenues	5,906,416	5,893,856
Decrease in governmental activities net position	$ (84,365)	$ (529,887)

Tax revenues increased by $437.9 million, or 8.2%, from the previous fiscal year. The increase was primarily due to increases in general excise taxes of $217.2 million, in individual and corporate income taxes of $162.6 million, and in transient accommodations taxes of $47.8 million.

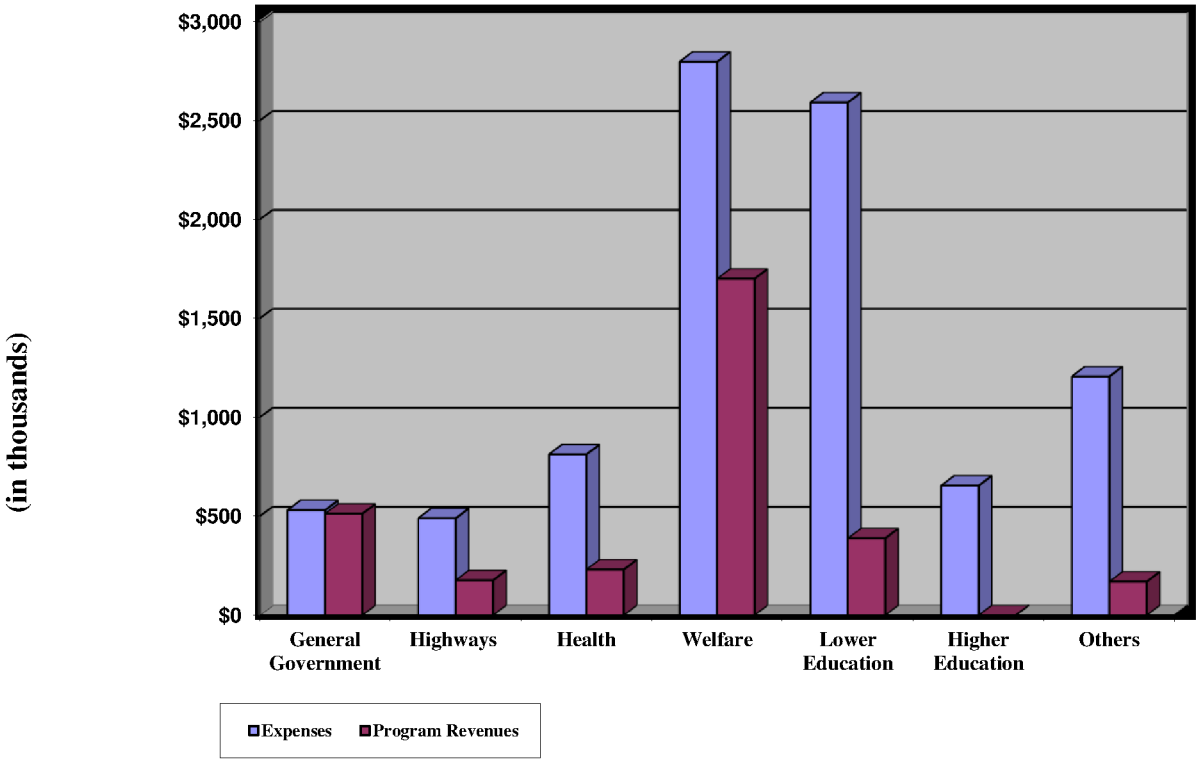
Interest and investment income increased by $20.2 million from the previous year. The increase is primarily due to the increase in the fair market value of the student loan auction rate securities, which increased $12.6 million in fiscal year 2013, compared to decreasing $4.7 million in fiscal year 2012.

Urban redevelopment and housing net expenses increased $151.0 million or 1606% from the previous year. The increase is primarily attributed to $93 million of General Obligation bond proceeds that were released to the Hawaii Public Housing Authority in fiscal year 2013.

Welfare net expenses increased $94.3 million or 9.4%. This change is primarily due to increased general fund expenses for the State's share of medical assistance programs.

A comparison of the cost of services by function of the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State:

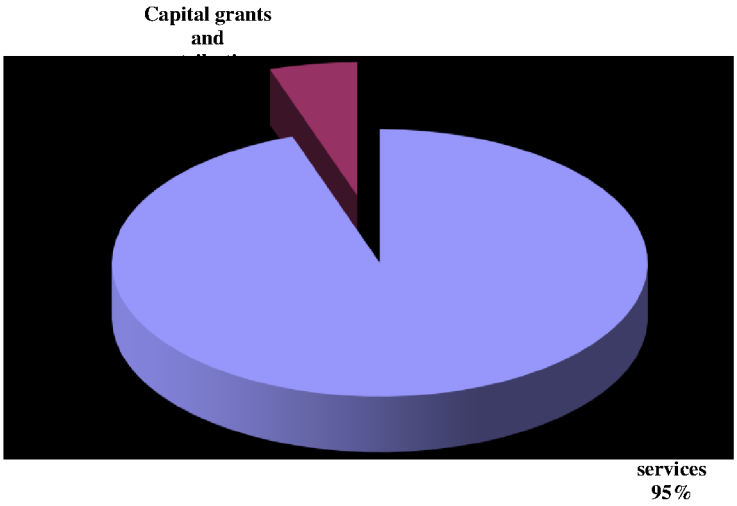
Expenses and Program Revenues — Governmental Activities
Fiscal Year Ended June 30, 2013



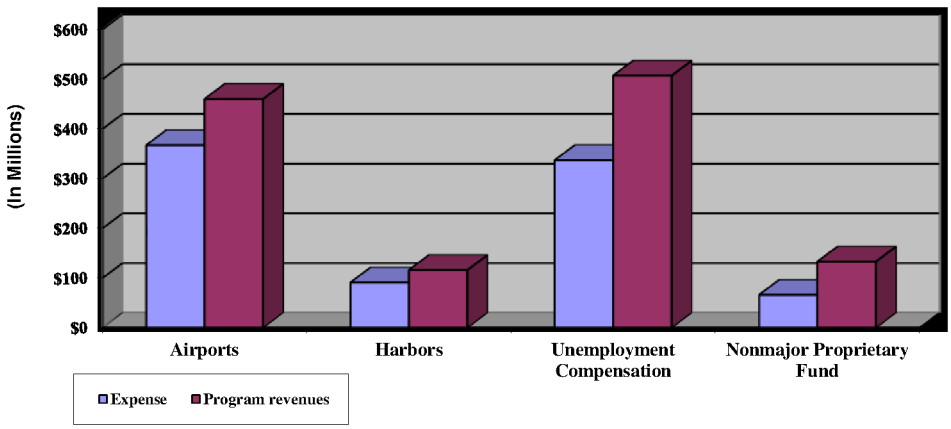
Business-Type Activities

The following charts depict revenues and expenses of the business-type activities for the fiscal year:

Program Revenues by Source — Business-Type Activities
Fiscal Year Ended June 30, 2013



Expenses and Program Revenues — Business-Type Activities
Fiscal Year Ended June 30, 2013



Business-type activities increased the State's net position by $391.5 million in fiscal 2013, compared to an increase of $163.5 million in fiscal 2012. Key elements of this increase are as follows:

- Airport's net position increased $122.1 million compared to an increase of $41.6 million in the prior fiscal year. Charges for current services increased by $88.4 million primarily due to the reinstatement of the rental car customer facility charges which amounted to an increase of $55.5 million. Also contributing to the increase was a $19.0 million business interruption insurance settlement relating to events of the September 11th. Operating and capital grants and contributions decreased $18.8 million mainly due to a decrease in federal capital and federal stimulus grants.

- Harbor's net position increased $27.6 million in fiscal 2013 compared to an increase of $38.8 million in fiscal 2012. Charges for current services increased by $8.2 million offset by a decrease in capital contributions of $15.2 million and an increase in expenses of $5.7 million.

- The Unemployment Compensation Fund's net position increased $173.1 million compared to an increase of $66.0 million in the prior fiscal year. The change was primarily due to a decrease in unemployment benefits paid of $131.7 million offset by a decrease in unemployment tax revenues of $26.9 million.

- Nonmajor Proprietary Fund's net position increased $68.7 million in fiscal 2013 compared to an increase of $17.0 million in fiscal 2012. The change was primarily due to the operations of the Employer-Union Health Benefits Trust Fund (EUTF). EUTF's expenses for self-funded plans decreased $103.8 million while charges for current services decreased by $64.7 million. Also contributing to the increase was an increase in capital contribution of $13.3 million in the Water Pollution Control Revolving Fund.

- Key elements of the State's business-type activities for the fiscal years ended June 30, 2013 and 2012 are as follows:

Business-Type Activities
(Amounts in thousands)

	Program Revenues									
	Charges for Services		Operating/Capital Grants and Contributions		Total		Expenses		Program Revenues Net of Expenses	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Airports	$ 431,708	$ 343,279	$ 30,619	$ 49,375	$ 462,327	$ 392,654	$ 366,918	$ 353,541	$ 95,409	$ 39,113
Harbors	112,060	103,876	4,115	19,357	116,175	123,233	90,548	84,826	25,627	38,407
Unemployment Compensation	507,096	533,963	-	-	507,096	533,963	336,931	468,610	170,165	65,353
Nonmajor Proprietary Funds	103,183	168,441	29,579	17,167	132,762	185,608	66,119	169,166	66,643	16,442
Total	$ 1,154,047	$ 1,149,559	$ 64,313	$ 85,899	$ 1,218,360	$ 1,235,458	$ 860,516	$ 1,076,143	$ 357,844	$ 159,315

Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In fiscal 2011, the State implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement which applies to governmental funds, provides new fund balance classifications that comprise a hierarchy based primarily on the extent the State is bound to honor constraints on the specific purpose for which amounts can be spent. The previous reserved and unreserved classifications have been replaced with restricted, committed, and unassigned. Additional information on fund balance classifications is found in Note 1.

At the end of the fiscal year, the State's Governmental Funds reported combined ending fund balances of $1.9 billion. Of this amount, $21.9 million is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $486.2 million has been committed to specific purposes. An additional $883.8 million has been assigned to specific purposes by management. The unassigned fund balance was $543.2 million at fiscal year end. This amount includes a deficit of a negative unrestricted fund balance of $563.5 million in the Capital Projects Fund, which indicates that the fund spent or committed more than what was expendable.

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the total fund balance of the General Fund was $1.4 billion compared to $807.4 million in fiscal 2012. This increase is mainly attributed to the increase in tax revenues. The fund balance of the State's Capital Projects Fund decreased $176.5 million during the fiscal year. This deficit is the result of the State's policy of recording expenditures upon the allotment of general obligation bond appropriations expended by component units and incurring general obligation bond expenditures in excess of cash available. The deficit caused by the recording of expenditures when funds are allotted is $512.7 million and is reflected on the balance sheet as "Due to Component Units". The fund balance of the Med-Quest Special Fund and other Nonmajor Governmental Funds decreased $2.6 million and increased $46.5 million, respectively.

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had an increase in net position of $122.1 million, Harbors had an increase in net position of $27.6 million, the Unemployment Compensation Fund had an increase in net position of $173.1 million, and the Nonmajor Proprietary Funds had an increase in net position of $68.7 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues were $267.4 million, or 4.5%, more than the final budget. The increase was attributed to higher tax revenues of $161.5 million, which was comprised of increases in corporate and individual net income tax of $167.8 million, tax on premium of insurance companies of $9.9 million, and public service companies taxes of $8.2 million, offset by lower general excise taxes of $18.0 million and tobacco taxes of $8.9 million. Other revenues increased $110.9 million, mainly attributed to drug rebate collections by the Medquest program of $62.9 million.

The difference between the final budget and actual expenditures on a budgetary basis was $224.3 million. The large positive variance in general government of $124.9 million was mostly due to $81.8 million savings in health premium and retirement payments. Retirement savings was the result of reduced employer contributions paid in fiscal 2013 because of overpayments made in prior years. Savings in health premiums were due to lower premium rates and lower than projected enrollments. Also contributing to the positive variance in general government was $14.8 million of appropriations made to the State Legislature that was carried over to the next fiscal year. Positive variances in health and welfare resulted from spending restrictions. As in previous fiscal years, the positive variance in lower education resulted when the Department of Education carried over $28.4 million of unencumbered appropriations into the next fiscal year. The Department of Education is allowed by statute to carry up to 5% of its unencumbered appropriations. Also contributing to the positive variance in lower education was $12.2 million appropriated to the Department of Education that lapsed because of imposed spending restrictions. The positive variance of $15.5 million in other is attributed to the appropriation made for the payment of legislative claims that was carried over to the next fiscal year.

Capital Asset and Debt Administration

The State's capital assets for its governmental and business-type activities as of June 30, 2013, amounted to $11.5 billion (net of accumulated depreciation of $9.8 billion), an increase of $155.9 million from fiscal 2012. The increase is due to an increase in governmental activities assets of $477.3 million and in business-type assets of $170.9 million offset by increases in primary governmental activities and business-type activities accumulated depreciation of $381.3 million and $111.1 million, respectively. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2013, included the following:

- $236.0 million for various capital improvement projects and repairs and maintenance of public school facilities throughout the State.
- $40.0 million for the design and construction of the new Kapolei II Elementary School.
- $40.7 million for airfield improvements at airfields, statewide.
- $48.4 million for various capital improvement projects at the Honolulu International Airport.

- $96.6 million for construction of a new access road, land acquisition, and various construction projects at Kahului Airport.
- $50.2 million for improvements to rental car facilities, statewide.
- $25.2 million for improvements to Kalaeloa Barbers Point Harbor.
- $42.5 million for Kapalama Military Reservation improvements at Honolulu Harbor.
- $51.0 million for the expansion of the interisland cargo terminal at Hilo Harbor.
- $141.9 million for various construction, maintenance, and renovation projects at various University of Hawaii campuses.
- $32.2 million for various health and safety renovation projects at state community hospitals.
- $91.3 million for renovations and improvements to federal and state low income housing projects.

Additional information on the State's capital assets can be found in Note 3 to the basic financial statements.

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of $7.3 billion. Of this amount, $5.6 billion comprises debt backed by the full faith and credit of the State and $1.8 billion (i.e., revenue bonds), is revenue bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total bonded debt is shown below:

Long-Term Debt
June 30, 2013 and 2012
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
General obligation bonds	$ 5,534,921	$5,475,348	$ 32,934	$ 34,611	$ 5,567,855	$ 5,509,959
Revenue bonds	441,150	468,180	1,326,112	1,370,314	1,767,262	1,838,494
Total	$ 5,976,071	$5,943,528	$ 1,359,046	$ 1,404,925	$ 7,335,117	$ 7,348,453

The State's total long-term debt decreased by $13.3 million, or 0.2%, during the current fiscal year. The decrease resulted from declining principal balances in revenue bonds of the State's business-type activities, and partially offset by issuances of general obligation bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2013, the State's underlying general obligation bond ratings were Moody's Investors Service (Aa2), Standard and Poor's Corporation (AA) and Fitch Ratings (AA) based on the credit of the State.

The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2013 was $353.4 million.

Additional information on the State's long-term debt can be found in Notes 4, 5 and 6 to the basic financial statements.

Other Post-Employment Benefits (OPEB)

The State implemented provisions of GASB No. 45 for fiscal year ended June 30, 2008.

The latest actuarial valuation studies were completed as of July 1, 2011 for the Employer-Union Health Benefits Trust Fund (EUTF) and the University of Hawaii. These studies determined the State's combined unfunded actuarial accrued liability to be approximately $13.7 billion. The State's combined annual OPEB cost for fiscal 2013 was $1.0 billion and its OPEB contributions were $277.9 million, resulting in an increase in the net OPEB obligation of $732.3 million. The total net OPEB obligation balance at fiscal year end increased to $3.9 billion.

In July 2013, Act 268 was signed into law which established the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability. The law also requires the State beginning in fiscal 2015 to pay additional amounts towards reducing the unfunded liability until fiscal 2019 when 100% of the annual required contribution must be paid. Commencing fiscal year 2019, general excise tax revenues will be used to fund any difference between the annual required contribution and the payment made by the State.

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for November 2013 was 4.4% while the seasonally adjusted national unemployment rates was 7.0%. One year ago, the State's seasonally adjusted unemployment rate stood at 5.3% while the seasonally adjusted national unemployment rate was 7.8%.

In January 2014, the Council of Revenues revised the State's General Fund tax revenue growth rate for fiscal year 2014 from 4.1% to 3.3% and kept the revenue growth rate for fiscal year 2015 unchanged at 7.4%.

Cumulative general fund tax revenues for the first six months of fiscal 2014 were $2.6 billion, a decrease of $18.6 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, decreased 2.6%.

The State is optimistic about the recovery of Hawaii's economy but remains cautious about its sustainability in the face of numerous uncertainties. Therefore, the Governor has imposed a 5% spending restriction on discretionary operating expenses of General Funds for all departments and agencies of the Executive Branch for fiscal year 2014.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Department of Accounting and General Services, P.O. Box 119, Honolulu, Hawaii 96810-0119. General information about the State can be found at the State's website, http://www.hawaii.gov.

BASIC FINANCIAL STATEMENTS

STATE OF HAWAII

STATEMENT OF NET POSITION
JUNE 30, 2013
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
CASH AND CASH EQUIVALENTS	$ 194,578	$ 1,124,534	$ 1,319,112	$ 391,280
RECEIVABLES:				
Taxes	461,846	117,185	579,031	-
Accounts and accrued interest — net	-	26,620	26,620	198,063
Notes, loans, mortgages, and contributions — net	75,743	30,568	106,311	89,095
Federal government	119,794	10,294	130,088	2,507
Premium	-	67,896	67,896	-
Other — net	36,363	5,604	41,967	39,024
Total receivables	693,746	258,167	951,913	328,689
INTERNAL BALANCES	1,597	(1,597)	-	-
DUE FROM COMPONENT UNITS	305,442	-	305,442	-
DUE FROM PRIMARY GOVERNMENT	-	-	-	524,420
INVESTMENTS	2,324,388	-	2,324,388	332,021
INVENTORIES:				
Developments in progress and dwelling units	-	-	-	24,174
Materials and supplies	-	228	228	31,938
Total inventories	-	228	228	56,112
RESTRICTED ASSETS	-	912,333	912,333	194,456
OTHER ASSETS:				
Prepaid expenses	5,523	6,198	11,721	26,652
Bond issue costs — net	138,220	7,329	145,549	1,396
Note receivable	-	336,269	336,269	485,131
Investments	-	-	-	506,263
Other	932	21,439	22,371	25,456
Total other assets	144,675	371,235	515,910	1,044,898
CAPITAL ASSETS:				
Land and land improvements	2,232,588	1,794,368	4,026,956	478,971
Infrastructure	9,046,606	-	9,046,606	193,414
Construction in progress	864,716	415,562	1,280,278	487,429
Buildings, improvements, and equipment	4,469,612	2,445,452	6,915,064	4,056,199
Accumulated depreciation	(7,684,193)	(2,122,303)	(9,806,496)	(2,077,391)
Total capital assets — net	8,929,329	2,533,079	11,462,408	3,138,622
TOTAL ASSETS	$ 12,593,755	$ 5,197,979	$ 17,791,734	$ 6,010,498

(continued)

STATE OF HAWAII

STATEMENT OF NET POSITION
JUNE 30, 2013
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
LIABILITIES:				
Vouchers and contracts payable	$ 312,579	$ 33,633	$ 346,212	$ 205,405
Other accrued liabilities	398,236	68,021	466,257	104,878
Due to Component Units	524,420	-	524,420	-
Due to Primary Government	-	-	-	305,442
Due to federal government	37,145	-	37,145	-
Unearned revenue	-	6,671	6,671	61,901
Estimated future costs of land sold	-	-	-	35,347
Unamortized bond premium	496,302	-	496,302	-
Premiums payable	-	35,771	35,771	-
Other	70,988	-	70,988	17,233
Long-term liabilities:				
Due within one year:				
Payable from restricted assets — revenue bonds payable — net	-	53,798	53,798	-
Prepaid airport use charge fund	-	2,865	2,865	-
General obligation (GO) bonds payable	430,556	1,758	432,314	-
Notes, mortgages, and installment contracts payable	-	-	-	1,652
Accrued vacation and retirement benefits payable	63,290	3,753	67,043	43,573
Revenue bonds payable — net	28,425	-	28,425	83,281
Reserve for losses and loss adjustment costs	39,493	1,003	40,496	8,736
Capital lease obligations	6,092	-	6,092	8,512
Due in more than one year:				
Prepaid airport use charge fund	-	37,932	37,932	-
GO bonds payable	5,104,365	31,176	5,135,541	-
Notes, mortgages, and installment contracts payable	-	-	-	55,365
Accrued vacation and retirement benefits payable	157,483	8,726	166,209	68,494
Revenue bonds payable — net	412,725	1,272,314	1,685,039	916,037
Reserve for losses and loss adjustment costs	115,645	3,812	119,457	19,701
Capital lease obligations	83,787	-	83,787	18,013
Premium on bonds payable	-	-	-	4,703
Other postemployment benefit liability	3,066,452	68,424	3,134,876	800,342
Other	236	953	1,189	67,767
TOTAL LIABILITIES	11,348,219	1,630,610	12,978,829	2,826,382
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	2,863,379	1,599,483	4,462,862	2,250,671
RESTRICTED FOR:				
Capital maintenance projects	133,835	-	133,835	-
Health and welfare	124,621	-	124,621	-
Natural resources	114,675	-	114,675	-
Hawaiian programs	277,015	-	277,015	-
Other purposes	401,339	-	401,339	-
Bond requirements and other	63	1,068,146	1,068,209	916,129
UNRESTRICTED	(2,669,391)	899,740	(1,769,651)	17,316
TOTAL NET POSITION	$ 1,245,536	$ 3,567,369	$ 4,812,905	$ 3,184,116

See accompanying notes to basic financial statements. (concluded)

STATE OF HAWAII

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	$ 531,839	$ 267,081	$ 246,001	$ -	$ (18,757)	$ -	$ (18,757)	
Public safety	451,946	40,090	4,673	-	(407,183)	-	(407,183)	
Highways	490,091	7,856	72,525	96,184	(313,526)	-	(313,526)	
Conservation of natural resources	52,208	29,411	39,766	-	16,969	-	16,969	
Health	813,190	56,963	173,951	-	(582,276)	-	(582,276)	
Welfare	2,798,053	40,670	1,659,846	-	(1,097,537)	-	(1,097,537)	
Lower education	2,592,125	42,606	346,469	-	(2,203,050)	-	(2,203,050)	
Higher education	654,611	-	-	-	(654,611)	-	(654,611)	
Other education	20,086	-	-	-	(20,086)	-	(20,086)	
Culture and recreation	94,679	-	3,249	-	(91,430)	-	(91,430)	
Urban redevelopment and housing	173,677	4,559	27,535	-	(141,583)	-	(141,583)	
Economic development and assistance	172,602	5,411	15,522	-	(151,669)	-	(151,669)	
Interest expense	241,677	-	-	-	(241,677)	-	(241,677)	
Total governmental activities	9,086,784	494,647	2,589,537	96,184	(5,906,416)	-	(5,906,416)	
Business-type activities:								
Airports	366,918	431,708	-	30,619	-	95,409	95,409	
Harbors	90,548	112,060	-	4,115	-	25,627	25,627	
Unemployment compensation	336,931	507,096	-	-	-	170,165	170,165	
Nonmajor proprietary funds	66,119	103,183	-	29,579	-	66,643	66,643	
Total business-type activities	860,516	1,154,047	-	64,313	-	357,844	357,844	
TOTAL PRIMARY GOVERNMENT	$ 9,947,300	$ 1,648,694	$ 2,589,537	$ 160,497	(5,906,416)	357,844	(5,548,572)	
COMPONENT UNITS:								
University of Hawaii	$ 1,648,158	$ 384,387	$ 482,619	$ -				$ (781,152)
Hawaii Housing Finance and Development Corporation	52,770	49,985	12,570					9,785
Hawaii Public Housing Authority	125,850	18,014	72,422	12,466				(22,948)
Hawaii Health Systems Corporation	713,924	550,004	3,055	31,498				(129,367)
Hawaii Tourism Authority	105,672	9,462	-	-				(96,210)
Hawaii Community Development Authority	32,272	3,369	-	-				(28,903)
Hawaii Hurricane Relief Fund	5	-	-	-				(5)
Total component units	$ 2,678,651	$ 1,015,221	$ 570,666	$ 43,964				(1,048,800)
GENERAL REVENUES:								
Taxes:								
General excise tax					2,991,792	-	2,991,792	-
Net income tax — corporations and individuals					1,795,683	-	1,795,683	-
Public service companies tax					163,930	-	163,930	-
Transient accommodations tax					186,377	-	186,377	104,000
Tobacco and liquor taxes					161,066	-	161,066	-
Liquid fuel tax					87,645	-	87,645	-
Tax on premiums of insurance companies					133,585	-	133,585	-
Vehicle weight and registration tax					121,605	-	121,605	-
Rental motor/tour vehicle surcharge tax					52,112	-	52,112	-
Franchise tax					22,673	-	22,673	-
Other tax					80,081	-	80,081	-
Interest and investment income					25,502	14,633	40,135	34,154
Payments from the State — net					-	-	-	874,541
Other					-	19,000	19,000	39,421
Total general revenues					5,822,051	33,633	5,855,684	1,052,116
CHANGE IN NET POSITION					(84,365)	391,477	307,112	3,316
NET POSITION — Beginning of year					1,329,901	3,175,892	4,505,793	3,180,800
NET POSITION — End of year					$ 1,245,536	$ 3,567,369	$ 4,812,905	$ 3,184,116

See accompanying notes to basic financial statements.

This page intentionally left blank

STATE OF HAWAII

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
CASH AND CASH EQUIVALENTS	$ 76,050	$ 7,595	$ 1,427	$ 109,506	$ 194,578
RECEIVABLES:					
Taxes	461,846	-	-	-	461,846
Notes and loans — net	1,440	-	-	74,303	75,743
Federal government	-	-	103,094	16,700	119,794
Other	8,763	-	-	-	8,763
DUE FROM OTHER FUNDS	120,748	-	-	63	120,811
DUE FROM PROPRIETARY FUNDS	-	1,597	-	-	1,597
DUE FROM COMPONENT UNITS	23,800	-	-	-	23,800
INVESTMENTS	1,102,679	139,657	22,353	1,059,699	2,324,388
OTHER ASSETS	932	-	-	-	932
TOTAL ASSETS	$ 1,796,258	$ 148,849	$ 126,874	$ 1,260,271	$ 3,332,252
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Vouchers and contracts payable	$ 105,252	$ 97,368	$ 16,300	$ 93,659	$ 312,579
Other accrued liabilities	250,459	12,430	99,194	36,489	398,572
Due to federal government	-	-	-	37,145	37,145
Due to other funds	63	89,900	10,500	20,348	120,811
Due to Component Units	1,601	512,667	-	-	514,268
Unearned revenue	13,610	-	-	-	13,610
Payable from restricted assets — matured bonds and interest payable	-	-	-	235	235
Total liabilities	370,985	712,365	125,994	187,876	1,397,220
FUND BALANCES:					
Restricted	-	-	-	21,854	21,854
Committed	-	-	-	486,240	486,240
Assigned	271,020	-	880	611,882	883,782
Unassigned	1,154,253	(563,516)	-	(47,581)	543,156
Total fund balances	1,425,273	(563,516)	880	1,072,395	1,935,032
TOTAL	$ 1,796,258	$ 148,849	$ 126,874	$ 1,260,271	$ 3,332,252

See accompanying notes to basic financial statements.

STATE OF HAWAII

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013
(Amounts in thousands)

TOTAL FUND BALANCE — Governmental Funds	$ 1,935,032
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land and land improvements	2,232,588
Infrastructure	9,046,606
Construction in progress	864,716
Buildings, improvements, and equipment	4,469,612
Accumulated depreciation	(7,684,193)
	8,929,329
Accrued interest and other payables are not recognized in Governmental Funds	(564,033)
Other assets are not available to pay for current-period expenditures and are not recognized in governmental funds, such as unearned revenue and settlement receivables	463,673
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds payable	(5,534,921)
Accrued vacation payable	(220,773)
Revenue bonds payable	(441,150)
Reserve for losses and loss adjustment costs	(155,138)
Other postemployment benefit liability	(3,066,452)
Long-term transactions with Component Units	(10,152)
Capital lease obligations	(89,879)
	(9,518,465)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,245,536

See accompanying notes to basic financial statements.

STATE OF HAWAII

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
General excise tax	$ 2,991,792	$ -	$ -	$ -	$ 2,991,792
Net income tax — corporations and individuals	1,804,409	-	-	-	1,804,409
Public service companies tax	163,930	-	-	-	163,930
Transient accommodations tax	185,377	-	-	1,000	186,377
Tobacco and liquor taxes	143,141	-	-	17,925	161,066
Liquid fuel tax	-	-	-	87,645	87,645
Tax on premiums of insurance companies	131,906	-	-	1,679	133,585
Vehicle weight and registration tax	-	-	-	121,605	121,605
Rental motor/tour vehicle surcharge tax	4,519	-	-	47,593	52,112
Franchise tax	20,673	-	-	2,000	22,673
Other	51,571	-	-	28,508	80,079
Total taxes	5,497,318	-	-	307,955	5,805,273
Interest and investment income	12,424	-	-	13,078	25,502
Charges for current services	122,252	-	-	247,017	369,269
Intergovernmental	13,708	-	914,647	1,444,125	2,372,480
Rentals	276	-	-	28,357	28,633
Fines, forfeitures, and penalties	22,343	-	-	14,459	36,802
Licenses and fees	6,465	-	-	40,374	46,839
Revenues from private sources	2,423	-	40,501	61,746	104,670
Other	106,795	-	69,320	59,401	235,516
Total revenues	5,784,004	-	1,024,468	2,216,512	9,024,984
EXPENDITURES:					
Current:					
General government	322,464	29,260	-	56,814	408,538
Public safety	291,855	10,774	-	129,395	432,024
Highways	-	170,196	-	248,795	418,991
Conservation of natural resources	28,260	4,522	-	59,819	92,601
Health	521,592	50,907	-	207,256	779,755
Welfare	1,102,912	1,415	1,003,616	665,298	2,773,241
Lower education	1,741,202	181,007	-	436,554	2,358,763
Higher education	518,486	136,125	-	-	654,611
Other education	5,737	-	-	14,349	20,086
Culture and recreation	38,979	24,491	-	44,470	107,940
Urban redevelopment and housing	294	3,038	-	62,911	66,243
Economic development and assistance	25,876	39,459	-	92,133	157,468
Housing	19,378	93,236	-	-	112,614
Other	23,243	-	-	9,473	32,716
Debt service	-	-	-	687,649	687,649
Total expenditures	4,640,278	744,430	1,003,616	2,714,916	9,103,240
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,143,726	(744,430)	20,852	(498,404)	(78,256)
OTHER FINANCING SOURCES (USES):					
Issuance of GO and refunding GO bonds - par	-	470,000	-	396,990	866,990
Issuance of of GO and refunding GO bonds - premium	93,476	-	-	106,382	199,858
Payment to refunded bond escrow agent	-	-	-	(503,372)	(503,372)
Transfers in	77,451	129,953	8,356	818,157	1,033,917
Transfers out	(696,818)	(32,049)	(31,761)	(273,289)	(1,033,917)
Total other financing (uses) sources	(525,891)	567,904	(23,405)	544,868	563,476
NET CHANGE IN FUND BALANCES	617,835	(176,526)	(2,553)	46,464	485,220
FUND BALANCES — Beginning of year	807,438	(386,990)	3,433	1,025,931	1,449,812
FUND BALANCES — End of year	$ 1,425,273	$ (563,516)	$ 880	$ 1,072,395	$ 1,935,032

See accompanying notes to basic financial statements.

STATE OF HAWAII

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

TOTAL NET CHANGE IN FUND BALANCES — Governmental Funds	$ 485,220
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
Capital outlays are reported as expenditures in Governmental Funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay — net of disposals	477,260
Depreciation expense	(388,707)
Excess of capital outlay over depreciation expense	88,553
Debt proceeds provide current financial resources to Governmental Funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, this is the amount of proceeds received from general obligation bonds issued.	(1,066,848)
Repayment of long-term debt is reported as an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:	
Bond principal retirement	834,447
Capital lease payments	5,461
Total long-term debt repayment	839,908
Revenue timing differences result in greater revenue in the Government-Wide financial statements.	(18,111)
Bond issue costs in Governmental Funds - reported in the statement of net position - net of amortization.	110,525
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds:	
Change in postemployment liability	(535,482)
Change in accrued vacation payable	(7,990)
Change in HHFDC long-term liability	5,098
Change in reserve for losses and loss adjustment costs	14,762
Total	(523,612)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (84,365)

See accompanying notes to basic financial statements.

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2013
(Amounts in thousands)

ASSETS	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
CURRENT ASSETS:					
Cash and cash equivalents	$ 571,172	$ 133,218	$ 193,707	$ 226,437	$ 1,124,534
Restricted assets — cash and short-term investments	68,757	33,659	-	-	102,416
Receivables:					
Taxes	356	-	116,829	-	117,185
Accounts and accrued interest (net of allowance for doubtful accounts of $4,914)	16,571	9,302	-	747	26,620
Promissory note receivable (net of allowance for doubtful accounts of $4,287)	5	-	-	30,563	30,568
Federal government	8,764	936	-	594	10,294
Premiums	-	-	-	67,896	67,896
Other	1,416	429	-	3,759	5,604
Materials and supplies inventory	166	62	-	-	228
Prepaid expenses and other assets	-	843	-	5,355	6,198
Total current assets	667,207	178,449	310,536	335,351	1,491,543
NONCURRENT ASSETS:					
Capital assets:					
Land and land improvements	1,263,925	530,443	-	-	1,794,368
Construction in progress	377,086	38,476	-	-	415,562
Buildings and improvements	1,697,221	435,311	-	-	2,132,532
Equipment	279,874	21,775	-	11,271	312,920
	3,618,106	1,026,005	-	11,271	4,655,382
Less accumulated depreciation	(1,829,500)	(286,551)	-	(6,252)	(2,122,303)
Net capital assets	1,788,606	739,454	-	5,019	2,533,079
Bond issue costs — net	3,926	3,403	-	-	7,329
Promissory note receivable	-	-	-	336,269	336,269
Restricted assets — net direct financing leases	30,302	-	-	-	30,302
Restricted assets — cash and cash equivalents	454,503	228,219	-	-	682,722
Restricted assets — investments	96,893	-	-	-	96,893
Other	8,965	276	-	12,198	21,439
Total noncurrent assets	2,383,195	971,352	-	353,486	3,708,033
TOTAL ASSETS	$ 3,050,402	$ 1,149,801	$ 310,536	$ 688,837	$ 5,199,576

(Continued)

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2013
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
LIABILITIES					
CURRENT LIABILITIES:					
Vouchers and contracts payable	$ 23,546	$ 9,197	$ 272	$ 618	$ 33,633
Payable from restricted assets — contracts payable, accrued interest, and other	39,910	17,252	-	-	57,162
Other accrued liabilities	6,383	-	-	1,811	8,194
Due to Primary Government	-	1,597	-	-	1,597
Benefit claims payable	-	-	-	2,665	2,665
Prepaid airport use charge fund	2,865	-	-	-	2,865
Unearned revenue	6,671	-	-	-	6,671
General obligation bonds payable, current portion	-	1,758	-	-	1,758
Reserve for losses and loss adjustment costs	869	134	-	-	1,003
Accrued vacation, current portion	2,986	617	-	150	3,753
Payable from restricted assets — revenue bonds payable	41,275	12,523	-	-	53,798
Premiums payable	-	-	-	35,771	35,771
Total current liabilities	124,505	43,078	272	41,015	208,870
NONCURRENT LIABILITIES:					
General obligation bonds payable	-	31,176	-	-	31,176
Accrued vacation	6,604	1,571	-	551	8,726
Revenue bonds payable (net of unamortized bond premium, bond discount, and loss on refunding)	924,320	347,994	-	-	1,272,314
Reserve for losses and loss adjustment costs	3,131	681	-	-	3,812
Other postemployment benefit liability	54,344	10,990	-	3,090	68,424
Prepaid airport use charge fund	37,932	-	-	-	37,932
Other	953	-	-	-	953
Total long-term liabilities	1,027,284	392,412	-	3,641	1,423,337
TOTAL LIABILITIES	1,151,789	435,490	272	44,656	1,632,207
NET POSITION					
NET INVESTMENT IN CAPITAL ASSETS	1,077,045	517,419	-	5,019	1,599,483
RESTRICTED FOR BOND REQUIREMENTS AND OTHER	381,987	93,625	-	592,534	1,068,146
UNRESTRICTED	439,581	103,267	310,264	46,628	899,740
NET POSITION	$ 1,898,613	$ 714,311	$ 310,264	$ 644,181	$ 3,567,369

See accompanying notes to basic financial statements. (Concluded)

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES:					
Concession fees	$ 151,391	$ -	$ -	$ -	$ 151,391
Unemployment compensation	-	-	507,096	-	507,096
Aviation fuel tax	4,674	-	-	-	4,674
Airport use charges	59,874	-	-	-	59,874
Rentals	117,600	27,922	-	-	145,522
Services and others	1	82,622	-	-	82,623
Administrative fees	-	-	-	9,887	9,887
Premium revenue — self insurance	-	-	-	50,843	50,843
Increase in premium reserves	-	-	-	39,540	39,540
Other	5,047	2,127	-	2,913	10,087
Total operating revenues	338,587	112,671	507,096	103,183	1,061,537
OPERATING EXPENSES:					
Personnel services	136,591	16,158	-	5,537	158,286
Depreciation and amortization	92,231	22,751	-	1,469	116,451
Repairs and maintenance	32,288	2,462	-	79	34,829
Airports operations	57,217	-	-	-	57,217
Harbors operations	-	18,192	-	-	18,192
Fireboat operations	-	1,492	-	-	1,492
General administration	17,919	8,896	-	3,948	30,763
Unemployment compensation	-	-	336,931	-	336,931
Claims	-	-	-	46,819	46,819
Other	290	-	-	53	343
Total operating expenses	336,536	69,951	336,931	57,905	801,323
Business interruption insurance recovery	19,000	-	-	-	19,000
Operating income	21,051	42,720	170,165	45,278	279,214
NONOPERATING REVENUES (EXPENSES):					
Interest and investment income	7,661	1,969	2,949	2,054	14,633
Interest expense	(30,382)	(20,592)	-	-	(50,974)
Federal grants	5,039	-	-	-	5,039
Loss on disposal of capital assets	-	(5)	-	-	(5)
Passenger facility charges	35,333	-	-	-	35,333
Other	57,788	(611)	-	(8,214)	48,963
Total nonoperating revenues (expenses)	75,439	(19,239)	2,949	(6,160)	52,989
INCOME BEFORE CAPITAL CONTRIBUTIONS	96,490	23,481	173,114	39,118	332,203
CAPITAL CONTRIBUTIONS	25,580	4,115	-	29,579	59,274
CHANGE IN NET POSITION	122,070	27,596	173,114	68,697	391,477
NET POSITION - Beginning of year	1,776,543	686,715	137,150	575,484	3,175,892
NET POSITION — End of year	$ 1,898,613	$ 714,311	$ 310,264	$ 644,181	$ 3,567,369

See accompanying notes to basic financial statements.

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 354,191	$ 112,321	$ -	$ -	$ 466,512
Cash received from taxes	-	-	366,943	-	366,943
Cash received from employer and employees for premiums and benefits	-	-	-	487,681	487,681
Cash paid to suppliers	(160,057)	(27,386)	-	(4,258)	(191,701)
Cash paid to employees	(70,486)	(13,725)	-	(4,611)	(88,822)
Cash paid for unemployment compensation	-	-	(337,164)	-	(337,164)
Cash paid for premiums and benefits payable	-	-	-	(486,285)	(486,285)
Reserves returned by insurance carriers	-	-	-	15,914	15,914
Interest income from notes receivable	-	-	-	2,892	2,892
Administrative loan fees	-	-	-	4,245	4,245
Principal repayments on notes receivable	-	-	-	61,655	61,655
Disbursement of note receivable proceeds	-	-	-	(31,852)	(31,852)
Other cash receipts	-	-	113,493	-	113,493
Net cash provided by operating activities	123,648	71,210	143,272	45,381	383,511
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State capital contributions	-	-	-	5,872	5,872
Proceeds from federal operating grants	4,639	-	-	23,353	27,992
Disbursements of federal operating grants	-	-	-	(2,949)	(2,949)
Other	-	(610)	-	-	(610)
Net cash provided by (used in) noncapital financing activities	4,639	(610)	-	26,276	30,305
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(72,175)	(50,952)	-		(123,127)
Repayment of general obligation and revenue bonds principal	(27,545)	(13,718)	-	-	(41,263)
Interest paid on bonds	(45,072)	(21,171)	-	-	(66,243)
Proceeds from passenger facility charges program	35,579	-	-	-	35,579
Proceeds from rental car customer facility charges program	50,495	-	-	-	50,495
Payments from rental car customer facility charges program	(17,718)	-	-	-	(17,718)
Payments from passenger facility charges program	(16,702)	-	-	-	(16,702)
Proceeds from federal, state, and capital grants	22,618	9,548	-	-	32,166
Net cash used in capital and related financing activities	(70,520)	(76,293)	-	-	(146,813)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(193,786)	-	-	-	(193,786)
Proceeds from sales and maturities of investments	193,786	-	-	-	193,786
Interest from and change in fair value of investments	6,695	1,972	2,949	1,988	13,604
Net cash provided by investing activities	6,695	1,972	2,949	1,988	13,604
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,462	(3,721)	146,221	73,645	280,607
CASH AND SHORT-TERM INVESTMENTS — Including restricted amounts — beginning of the year	1,029,970	398,817	47,486	152,792	1,629,065
CASH AND SHORT-TERM INVESTMENTS — Including restricted amounts — end of year	$ 1,094,432	$ 395,096	$ 193,707	$ 226,437	$ 1,909,672

See accompanying notes to basic financial statements

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	$ 21,051	$ 42,720	$ 170,165	$ 45,278	$ 279,214
Adjustments to reconcile operating income to net cash provided by operating activities:					
Provision for uncollectible accounts	-	104	-	-	104
Depreciation	92,231	22,614	-	1,469	116,314
Other amortization	-	138	-	-	138
Bad debt expense	580	-	-	-	580
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	126	-	-	-	126
Premium reserves held by insurance companies	-	-	-	(36,405)	(36,405)
Principal forgiveness of loans	-	-	-	(1,000)	(1,000)
Decrease (increase) in assets:					
Receivables	1,178	(530)	(26,660)	31,720	5,708
Inventory of materials and supplies	47	183	-	-	230
Deposits	-	-	-	11,456	11,456
Prepaid expenses	-	-	-	(101)	(101)
Increase (decrease) in liabilities:					
Vouchers and contracts payable	543	3,281	(233)	(73)	3,518
Other accrued liabilities	14,178	2,700	-	(2,142)	14,736
Prepaid airport use charge fund	(7,445)	-	-	-	(7,445)
Unearned revenue	1,159	-	-	-	1,159
Benefit Claims Payable	-	-	-	(4,821)	(4,821)
Net cash provided by operating activities	$ 123,648	$ 71,210	$ 143,272	$ 45,381	$ 383,511
Supplemental Information					
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Amortization of bond discount, bond issue costs, bond premium, and loss on refunding	$ (3,354)	$ (342)	$ -	$ -	$ (3,696)
Interest payments relating to special facility revenue bonds	1,872	-	-	-	1,872
Payments to refund airport system revenue bonds	905	-	-	-	905

See accompanying notes to basic financial statements.

STATE OF HAWAII

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013
(Amounts in thousands)

	Agency Funds	OPEB Trust Fund
ASSETS		
CASH AND CASH EQUIVALENTS	$ 216,683	$ 314,778
RECEIVABLES — taxes	39,078	-
INVESTMENTS	395,971	-
OTHER ASSETS — primarily due from individuals, businesses, and counties	31,653	-
TOTAL	$ 683,385	$ 314,778
LIABILITIES AND NET ASSETS		
LIABILITIES		
VOUCHERS PAYABLE	$ 9,714	$ -
DUE TO INDIVIDUALS, BUSINESSES, AND COUNTIES	673,671	-
OTHER ACCRUED LIABILITIES	-	14
TOTAL LIABILITIES	683,385	14
NET POSITION	$ -	$ 314,764

See accompanying notes to basic financial statements.

STATE OF HAWAII

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION - OPEB TRUST FUND
JUNE 30, 2013
(Amounts in thousands)

	OPEB TRUST FUND
ADDITIONS	
Employer pre-funding contributions and related net investment earnings	$ 314,764
Net increase in net assets	314,764
Beginning fiduciary net position	-
Ending fiduciary net position	$ 314,764

See accompanying notes to basic financial statements.

This page intentionally left blank.

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF NET POSITION
JUNE 30, 2013
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
ASSETS				
CASH AND CASH EQUIVALENTS	$ 78,704	$ 179,849	$ 65,342	$ 34,308
RECEIVABLES:				
Accounts and accrued interest (net of allowance for doubtful accounts of $39,798)	96,789	16,194	471	84,029
Notes, loans, mortgages, and contributions allowance for doubtful accounts)	15,266	73,829	-	-
Federal government	-	-	2,507	-
Other (net of allowance for doubtful accounts of $2)	-	2,568	953	31,744
DUE FROM PRIMARY GOVERNMENT	329	7,000	97,990	63,397
INVESTMENTS	298,841	1,024	-	7,071
INVENTORIES:				
Developments in progress and dwelling units	-	24,174	-	-
Materials and supplies	12,288	-	973	18,677
PREPAID EXPENSES AND OTHER ASSETS	24,013	417	2,108	-
	526,230	305,055	170,344	239,226
RESTRICTED ASSETS:				
Cash and cash equivalents	-	68,492	-	3,191
Investments	-	111,431	-	-
Deposits, funded reserves, and other	-	533	-	-
Total restricted assets	-	180,456	-	3,191
CAPITAL ASSETS:				
Land and land improvements	137,052	43,290	25,340	6,535
Infrastructure	149,100	-	-	-
Construction in progress	397,825	-	27,423	56,418
Buildings, improvements, and equipment	2,489,985	158,524	578,847	593,273
Less accumulated depreciation	(1,146,842)	(110,073)	(332,999)	(315,935)
Total capital assets — net	2,027,120	91,741	298,611	340,291
OTHER ASSETS:				
Notes, loans, mortgages, and contributions (net of allowance for doubtful accounts $7,786)	24,637	435,363	8,131	-
Due from Primary Government	337,674	10,152	-	-
Investments	468,120	6,709	-	-
Other assets	23,591	1,396	-	1,483
Total other assets	854,022	453,620	8,131	1,483
TOTAL ASSETS	$ 3,407,372	$ 1,030,872	$ 477,086	$ 584,191

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 12,610	$ 20,023	$ 444	$ 391,280
-	497	83	198,063
-	-	-	89,095
-	-	-	2,507
1,110	2,649	-	39,024
-	7,878	-	176,594
4,499	-	20,586	332,021
-	-	-	24,174
-	-	-	31,938
107	7	-	26,652
18,326	31,054	21,113	1,311,348
10,809	-	-	82,492
-	-	-	111,431
-	-	-	533
10,809	-	-	194,456
131,497	135,257	-	478,971
-	44,314	-	193,414
2,114	3,649	-	487,429
215,813	19,757	-	4,056,199
(118,924)	(52,618)	-	(2,077,391)
230,500	150,359	-	3,138,622
-	17,000	-	485,131
-	-	-	347,826
31,434	-	-	506,263
-	382	-	26,852
31,434	17,382	-	1,366,072
$ 291,069	$ 198,795	$ 21,113	$ 6,010,498

(Continued)

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF NET POSITION
JUNE 30, 2013
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
LIABILITIES				
CURRENT LIABILITIES:				
Vouchers and contracts payable	$ 76,431	$ 901	$ 5,809	$ 115,723
Other accrued liabilities	90,037	10,817	3,775	-
Due to Primary Government	6,000	-	-	2,000
Unearned revenue	38,497	22,871	480	-
Estimated future costs of land sold	-	35,347	-	-
Notes, mortgages, and installment contracts payable	-	63	-	1,589
Accrued vacation and retirement benefits payable	27,208	-	-	16,143
Revenue bonds payable — net	14,740	68,541	-	-
Reserve for losses and loss adjustment costs	5,421	-	-	3,315
Capital lease obligations	-	-	-	8,512
Other liabilities	11,420	1,909	880	1,750
Total current liabilities	269,754	140,449	10,944	149,032
NONCURRENT LIABILITIES:				
Notes, mortgages, and installment contracts payable	16,500	5,517	-	33,348
Accrued vacation and retirement benefits payable	43,550	-	-	24,199
Revenue bonds payable — net	593,930	322,107	-	-
Reserve for losses and loss adjustment costs	9,277	-	-	10,424
Premium on bonds payable	4,703	-	-	-
Capital lease obligations	-	-	-	18,013
Due to Primary Government	555	-	-	15,800
Other postemployment benefit liability	514,364	3,231	12,415	267,115
Other liabilities	17,014	291	1,509	23,229
Total noncurrent liabilities	1,199,893	331,146	13,924	392,128
TOTAL	1,469,647	471,595	24,868	541,160
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	1,492,599	25,035	298,610	287,829
RESTRICTED	733,922	163,714	3,851	349
UNRESTRICTED (DEFICIT)	(288,796)	370,528	149,757	(245,147)
TOTAL NET POSITION	$ 1,937,725	$ 559,277	$ 452,218	$ 43,031

See accompanying notes to basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 4,662	$ 1,560	$ 319	$ 205,405
105	144	-	104,878
19,782	-	-	27,782
-	53	-	61,901
-	-	-	35,347
-	-	-	1,652
124	98	-	43,573
-	-	-	83,281
-	-	-	8,736
-	-	-	8,512
-	1,274	-	17,233
24,673	3,129	319	598,300
-	-	-	55,365
352	393	-	68,494
-	-	-	916,037
-	-	-	19,701
-	-	-	4,703
-	-	-	18,013
261,301	4	-	277,660
1,824	1,393	-	800,342
-	25,724	-	67,767
263,477	27,514	-	2,228,082
288,150	30,643	319	2,826,382
(3,760)	150,358	-	2,250,671
6,679	7,614	-	916,129
-	10,180	20,794	17,316
$ 2,919	$ 168,152	$ 20,794	$ 3,184,116

(Concluded)

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
EXPENSES	$ 1,648,158	$ 52,770	$ 125,850	$ 713,924
PROGRAM REVENUES:				
Charges for services	384,387	49,985	18,014	550,004
Operating grants and contributions	482,619	12,570	72,422	3,055
Capital grants and contributions	-	-	12,466	31,498
Total program revenues	867,006	62,555	102,902	584,557
Net program revenues (expenses)	(781,152)	9,785	(22,948)	(129,367)
GENERAL REVENUES (EXPENSES):				
Interest and investment income (loss)	32,206	1,200	-	309
Transient accommodations tax	-	-	-	-
Payments from (to) the State	675,155	5,000	100,824	86,027
Other	39,393	-	2,311	(2,283)
Net general revenues (expenses)	746,754	6,200	103,135	84,053
Change in net assets	(34,398)	15,985	80,187	(45,314)
NET POSITION — Beginning of year	1,972,123	543,292	372,031	88,345
NET POSITION — End of year	$ 1,937,725	$ 559,277	$ 452,218	$ 43,031

See accompanying notes to basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 105,672	$ 32,272	$ 5	$ 2,678,651
9,462	3,369	-	1,015,221
-	-	-	570,666
-	-	-	43,964
9,462	3,369	-	1,629,851
(96,210)	(28,903)	(5)	(1,048,800)
(276)	676	39	34,154
104,000	-	-	104,000
(1,000)	8,854	(319)	874,541
-	-	-	39,421
102,724	9,530	(280)	1,052,116
6,514	(19,373)	(285)	3,316
(3,595)	187,525	21,079	3,180,800
$ 2,919	$ 168,152	$ 20,794	$ 3,184,116

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the State of Hawaii (the "State") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The State's significant accounting policies are described below.

Reporting Entity — The accompanying basic financial statements present the financial activity of the State ("Primary Government") and its Component Units, entities for which the Primary Government is considered to be financially accountable. Discretely presented Component Units are legally separate organizations for which the Primary Government is financially accountable or for which the nature and significance of their relationship to the Primary Government are such that exclusion would cause the State's reporting entity to be misleading or incomplete.

Primary Government — The following branches and departments are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Executive:
- Accounting and General Services
- Agriculture
- Attorney General
- Budget and Finance
- Business, Economic Development and Tourism
- Commerce and Consumer Affairs
- Defense
- Education
- Hawaiian Home Lands
- Health
- Human Resources Development
- Human Services
- Labor and Industrial Relations
- Land and Natural Resources
- Public Safety
- Taxation
- Transportation

Judicial

Legislative

Discretely Presented Component Units — The Component Units column in the basic financial statements includes the financial data of the State's discretely presented Component Units. They are reported in a separate column to emphasize that they are legally separate from the State. The governing bodies of these discretely presented Component Units are appointed by the Governor of the State ("Governor"). The discretely presented Component Units are as follows:

University of Hawaii — The University of Hawaii ("UH" or the "University") is Hawaii's sole public higher education system and is governed by a Board of Regents consisting of fifteen members appointed by the Governor. The University system is comprised of ten campuses with approximately 60,000 students and 10,000 faculty and staff. The University provides a broad range of 385 degree programs from baccalaureate to post-doctoral level, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oahu, Hawaii, Maui, and Kauai, UH offers more than 279 certificate and associate degree programs and in certain areas, baccalaureate degrees. In addition to organized research institutes and administrative service and distance learning centers, the UH system houses more than a hundred centers with research and service activities at hundreds of Hawaii schools, hospitals and community sites, and carries out these activities across the Pacific Islands and in foreign countries. Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of UH.

Hawaii Housing Finance and Development Corporation — Hawaii Housing Finance and Development Corporation (HHFDC) is a corporate body placed within the Department of Business, Economic Development and Tourism (DBEDT) for administrative purposes. Act 196, Session Laws of Hawaii (SLH) of 2005, as amended by Act 180, SLH of 2006, created the HHFDC. The HHFDC is tasked with developing and financing low and moderate income housing projects and administering home-ownership programs. HRS 201H states that the HHFDC shall be a public body and a body corporate and politic and be headed by a board of directors comprised of nine voting members. The nine members consist of the following:

- Six shall be public members appointed by the Governor:
  - At least four of the public members shall have knowledge and expertise in public or private financing and development of affordable housing.
  - Public members shall be appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai.
  - At least one public member shall represent community advocates for low-income housing, affiliated with private nonprofit organizations that serve the residents of low-income housing.
  - The public members of the board of directors shall serve four-year staggered terms; provided that the initial appointments shall be as follows:
    - Two members to be appointed for four years;
    - Two members to be appointed for three years; and
    - Two members to be appointed for two years.
- The Director of DBEDT or a designated representative,
- The Director of Finance or a designated representative, and
- A representative of the Governor's office.

Hawaii Public Housing Authority — Act 196, SLH of 2005, as amended by Act 180, SLH of 2006, created the Hawaii Public Housing Authority ("HPHA" or the "Authority").

The Authority is administratively attached to the Department of Human Services. Its mission is to provide safe, decent and sanitary dwelling for low and moderate income residents of Hawaii and to operate its housing program in accordance with federal and State laws and regulations.

HRS Chapter 356D states that the HPHA shall be a public body and a body corporate and politic and be headed by a board of directors comprised of 11 members. The 11 members consist of the following:

- Nine public members appointed by the Governor (four appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai, and five appointed at large);
- The Director of Human Services, as an Ex Officio voting member; and
- The Representative of the Governor's Office, as an Ex Officio voting member.

Hawaii Health Systems Corporation — The Hawaii Health Systems Corporation (HHSC) is a public body corporate and politic and an instrumentally and agency of the State. HHSC is managed by a chief executive officer under the control of a 13-member board of directors.

Act 262, SLH of 1996, which became effective in fiscal year 1997, transferred all facilities under the administration of the Department of Health — Division of Community Hospitals to HHSC. HHSC operates the following facilities:

East Hawaii Region:
- Hilo Medical Center
- Hale Ho'ola Hamakua
- Ka'u Hospital
- Yukio Okutsu Veterans Care Home

West Hawaii Region:
- Kona Community Hospital
- Kohala Hospital

Kauai Region:
- Kauai Veterans Memorial Hospital
- Samuel Mahelona Memorial Hospital

Maui Region:
- Maui Memorial Medical Center
- Kula Hospital
- Lanai Community Hospital

Oahu Region:
- Leahi Hospital
- Maluhia

Kahuku Medical Center

Act 262 also amended a previous act to exempt all facilities from the obligation to pay previously allocated central service and departmental administration expenses by the State.

HHSC is considered to be administratively attached to the Department of Health of the State and is a component unit of the State. Hawaii Health Systems Foundation (HHSF) and Alii Community Care, Inc. (Alii) are nonprofit organizations of which HHSC is the sole member. The purpose of HHSF is to raise funds and obtain gifts and grants on behalf of HHSC. The purpose of Alii is to own, manage, and operate assisted living and other healthcare facilities in the State.

Act 290, SLH of 2007, which became effective July 1, 2007, required the establishment of a seven to 15 member regional system board of directors for each of the five regions of the HHSC system. Each regional board was given custodial control and responsibility for management of the facilities and other assets in their respective regions. This Act also restructured the 13-member HHSC board of directors to 15 members, comprised of 10 members appointed by the governor from nominees submitted by legislative leadership, two at-large members at the governor's discretion, two physician members selected by the HHSC board, and the State Director of Health.

Act 290 also exempted the regions from the requirements of the State procurement code and other exemptions from State agency laws, such as tax clearance certificate requirements, the concession law, and the sunshine law.

Act 182, SLH of 2009, effective July 1, 2009, allowed the individual facilities or regions of HHSC to transition into a new legal entity in any form recognized under the laws of the State of Hawaii, including but not limited to a nonprofit corporation, a for-profit corporation, a municipal facility, a public benefit corporation, or a combination of the above. The act also amended the requirement for maintenance of services to outline a process that must be followed in order for a facility to substantially reduce or eliminate a direct patient care service. Further, the Act reconstituted the HHSC board of directors to a 12-member board of directors which includes the five regional chief executive officers, one representative each appointed by the East Hawaii, West Hawaii, Kauai, and Oahu regional boards, two members appointed by the Maui regional board, and the Director of the Department of Health as an ex-officio non-voting member.

Act 126, SLH of 2011, effective July 1, 2011, reconstituted the HHSC board of directors to a 13-member board of directors by adding an at-large voting member appointed by the governor of the State of Hawaii and changing the voting status of the Director of the Department of Health from non-voting to voting member.

In June 2013, the Legislature passed Act 278, H.B. 1130, effective July 2013, which reconstituted the HHSC board of directors by adding five regional members appointed by the governor and making the five regional chief executive officers ex-officio, nonvoting members.

Hawaii Tourism Authority — The Hawaii Tourism Authority (HTA) was established on January 1, 1999, by Act 156, SLH of 1998 and was placed within DBEDT for administrative purposes. The HTA is responsible for developing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan as it relates to the State's tourism industry, employment, taxes, and lesser known and underutilized destinations. In addition, effective July 1, 2000, control and management of the Hawaii Convention Center (the "Center") was transferred to the HTA from the Convention Center Authority (CCA) by Executive Order No. 3817. Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center, which opened to the general public in June 1998, is used for a variety of events including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The HTA is governed by a board of directors comprised of 12 voting members. The governor appoints the 12 voting members.

Hawaii Community Development Authority — The Hawaii Community Development Authority (HCDA) was established as a body corporate and a public instrumentality of the State of Hawaii which is attached to DBEDT for administrative purposes. The HCDA was established to supplement traditional community

renewal methods by promoting and coordinating public and private sector community development. The HCDA has redevelopment responsibility for the Kaka'ako, Kalaeloa, and He'eia Community Development Districts.

The HCDA was established by HRS Chapter 206E, to join the strengths of private enterprise, public development and regulation into a form capable of long-term planning and implementation of improved community development in urban areas in the State.

The HCDA is comprised of 16 (five regular members, one member who votes only on Kalaeloa matters, one member who votes only on Kaka`ako and He`eia matters, three members who vote only on Kaka`ako matters, three members who vote only on Kalaeloa matters, and three members who vote only on He`eia matters) voting members who, as a body, oversee the HCDA's operations and establish policies to implement its legislative objectives. The board is required to report annually to the State Legislature and the Governor. The 16 member board is comprised of the following:

- Five members that vote on issued related to Kaka`ako, Kalaeloa and He`eia:
  - The Director of Budget and Finance, as an Ex Officio voting member,
  - The Director of DBEDT, as an Ex Officio voting member,
  - The Comptroller of the Department of Accounting and General Services, as an Ex Officio voting member,
  - The Director of Transportation, as an Ex Officio voting member, and
  - One member who is a cultural expert.
- The Chairperson of the Hawaiian Homes Commission who votes only on issues related Kalaeloa.
- One member appointed by the Governor that votes only on issues related to Kaka`ako and He`eia.
- Three members appointed by the Governor that vote only on issues related to Kaka`ako:
  - All three members are selected by the Governor from a list of names submitted by the Honolulu City Council.
- Three members appointed by the Governor that vote only on issues related to Kalaeloa:
  - All three members are selected by the Governor from a list of names submitted by the Honolulu City Council.
- Three members appointed by the Governor that vote only on issued related to He`eia:
  - All three members shall be residents of the He`eia community development district or the Koolaupoko district.

Hawaii Hurricane Relief Fund — The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to, and operates in accordance with, HRS Chapter 431P. The HHRF, which began its operations on July 1, 1993, was established as a public body and a body corporate and politic to be placed within the Department of Commerce and Consumer Affairs for administrative purposes. The HHRF was primarily organized to provide hurricane property insurance policies in Hawaii in the event the private insurance market does not make such policies readily available to consumers in Hawaii.

Due to the increase in the availability of hurricane property insurance coverage from the private sector, the HHRF ceased writing hurricane property insurance policies effective December 1, 2000.

Although the HHRF no longer functions in its capacity to provide hurricane property insurance coverage subsequent to November 2001, it has been determined at this time that the HHRF should not be dissolved in the event it may need to reenter the insurance market.

The HHRF is administered and operated by a board of directors. The board of directors consists of the following seven members:

- The Insurance Commissioner, as an Ex Officio voting member, appointed by the Governor; and
- Six members appointed by the Governor with the advice and consent of the Senate:
  - Two members appointed by the Governor;
  - Two members appointed by the Governor from a list of nominations submitted by the President of the Senate; and
  - Two members appointed by the Governor from a list of nominations submitted by the Speaker of the House of Representatives.

Information for obtaining financial statements for the discretely presented Component Units may be obtained from the Department of Accounting and General Services (DAGS), 1151 Punchbowl Street, Room 400, Honolulu, Hawaii 96813.

The Employees' Retirement System of the State of Hawaii (ERS), which is administered on behalf of public employees for both the State and county governments, and the Office of Hawaiian Affairs (OHA), which exists for the betterment of the conditions of native Hawaiians, are excluded from the State's reporting entity because those agencies, based on the fiscal independence and/or separate legal entity status, are not accountable to the State.

Government-Wide and Fund Financial Statements — The Government-Wide financial statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these Government-Wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, Fiduciary Funds, and major Component Units. However, the Fiduciary Funds are not included in the Government-Wide financial statements. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements — The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Funds Financial Statements — The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues. Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues which are not considered susceptible to accrual, and therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchises.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred as of fiscal year-end and funds are available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements — The financial statements of the Proprietary Funds, Fiduciary Funds, and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above. Agency Funds do not have a measurement focus and report only assets and liabilities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting — The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying fund financial statements have been classified into the following major and nonmajor Governmental and Proprietary Funds. In addition, a description of the Fiduciary Funds and Component Units are as follows:

Governmental Fund Types — The State reports the following major Governmental Funds:

- General Fund — This fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- Capital Projects Fund — This fund accounts for substantially all of the financial resources obtained and used for the acquisition or construction of the State's capital assets and facilities. Such resources are derived principally from proceeds of general obligation and revenue bond issues, federal grants, and transfers from the Special Revenue Funds.

- Med-Quest Special Revenue Fund — This fund accounts for the State's Medicaid program through which healthcare is provided to the low-income population. The Medicaid program is jointly financed by the State and the federal government.

The nonmajor Governmental Funds are comprised of the following:

- Special Revenue Funds — These funds account for the financial resources obtained from specific revenue sources and used for restricted purposes.

- Debt Service Fund — This fund accounts for the financial resources obtained and used for the payment of principal and interest on general and revenue long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

Proprietary Fund Type — Enterprise Funds — The major Enterprise Funds are comprised of the following:

- Department of Transportation — Airports Division ("Airports") — Airports operates the State's airports and air navigation facilities and is responsible for general supervision of aeronautics within the State.

- Department of Transportation — Harbors Division ("Harbors") — Harbors maintains and operates the State's commercial harbors system.

- Unemployment Compensation Fund — This fund accounts for the unemployment compensation benefits to qualified recipients.

The nonmajor Enterprise Funds are comprised of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), the Water Pollution Control Revolving Fund (WPCF), and the Drinking Water Treatment Revolving Loan Fund (DWTLF). The EUTF accounts for the benefits relating to active employees and beneficiaries, which includes medical, dental, and life insurance coverage. The WPCF accounts for loans to county agencies for the construction of wastewater treatment facilities. The DWTLF accounts for loans to county agencies for the construction of drinking water treatment facilities.

Fiduciary Fund Types

- Agency Funds — Agency Funds account for retiree healthcare benefits, which includes medical, dental, and life insurance coverage as well as, various taxes, deposits, and property held by the State, pending distribution to other governments and individuals.

- Other Post-Employment Benefit ("OPEB") Trust Fund - Accounts for plan assets and related expenses from the pre-funding contributions made by the State and counties. The OPEB Trust Fund meets the criteria for plans that are administered as trusts, or equivalent arrangements.

Component Units — Component Units are comprised of (1) the UH, which is comprised of the State's public institutions of higher education; (2) the HHFDC, which finances housing programs for residents of the State; (3) the HPHA, which manages state housing programs; (4) the HHSC, which was established to provide quality health care for all of the people of the State; (5) the HTA, which manages the State's convention center as well as markets the State's visitor industry; (6) the HCDA, which coordinates private and public community development for residents of the State; and (7) the HHRF, which funds, assesses, and provides, when necessary, hurricane property insurance to residents of the State.

Cash and Cash Equivalents — Cash and cash equivalents include all cash, repurchase agreements, and U.S. government securities with original maturities of three months or less, and time certificates of deposit. For purposes of the statement of cash flows, the State has defined cash equivalents to be all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Receivables and Payables — Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide financial statements as internal balances.

All tax and other receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Investments — Investments in U.S. government securities and time certificates of deposit are carried at fair value based on quoted market prices. Investments in repurchase agreements are carried at cost.

Inventories — Inventories of developments in progress and units available for sale are stated at the lower of cost or estimated net realizable value, with cost being determined by the specific-identification method. All estimated carrying costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Units available for sale include constructed units, developed lots, and repurchased units available for sale. Developments in progress include construction in progress and land held for future development.

Materials and supplies inventories are stated at the lower of cost or market, with cost being determined principally using the first-in, first-out method.

Restricted Assets — Revenue bond indentures authorize the State's trustees to invest monies in time certificates of deposit, money market funds, and investment securities, including U.S. government or agency obligations, certain municipal bonds, and repurchase agreements. Uninsured time certificates of deposit are required to be collateralized by investment securities of an equal or greater market value. The underlying securities for repurchase agreements are required to be U.S. government or agency obligations of an equal or greater market value held by the State's agent in the State's name.

Capital Assets — Capital assets, which include land and land improvements, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), buildings and improvements, and equipment, are reported in the applicable governmental and business-type activities columns, as well as the Component Units column, in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed to the extent the State's capitalization thresholds are met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period.

The State's capitalization thresholds are $5,000 for equipment, and $100,000 for land and land improvements, infrastructure, and buildings and improvements. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets of the Primary Government, as well as the Component Units, are depreciated or amortized using the straight-line method over the following estimated useful lives:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are capitalized. These items are protected, kept encumbered,

conserved, and preserved by the State. It is the State's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Compensated Absences — It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the Government-Wide, Proprietary Funds, and Component Units financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations — In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net position. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, Governmental Funds recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance — In the Government-Wide financial statements and Proprietary Funds and Component Units financial statements, net position is reported in three categories: net position invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Restricted net position represents net position restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and include unspent proceeds of bonds issued to acquire or construct capital assets.

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The State classifies fund balance based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GASB Statement No. 54 ("GASB 54"), Fund Balance Reporting and Governmental Fund Type Definitions. Classifications include:

- Restricted — Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments.

- Committed — Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the State's Legislature, the highest level of decision-making authority. Committed

amounts cannot be used for other than the specified purposes unless the Legislature changes the specified purpose.

- Assigned — Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed. In contrast to the restricted and committed balances, the authority for making an assignment is not required to be made by the State's Legislature.

- Unassigned — Residual balances that are not contained in the other classifications.

Nonexchange Transactions — The Enterprise Funds and Component Units recognize contributed capital as nonoperating revenues.

Medicare and Medicaid Reimbursements — Revenues from services reimbursed under Medicare and Medicaid programs are recorded at the estimated reimbursable amounts. Final determination of the amounts earned is subject to review by the fiscal intermediary or a peer review organization. The State has the opinion that adequate provision has been made for any adjustments that may result from such reviews.

Risk Management — The State is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State generally retains the first $1,000,000 per occurrence of property losses, the first $4,000,000 with respect to general liability claims, and the first $500,000 of losses due to crime. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $225,000,000, except for flood and earthquake, which individually is a $225,000,000 aggregate loss, and terrorism, which is $50,000,000 per occurrence. The annual aggregate limit for general liability losses is $15,000,000 per occurrence and for crime losses, the limit per occurrence is $10,000,000 with no aggregate limit. The State also has an insurance policy to cover medical malpractice risk in the amount of $35,000,000 per occurrence and $39,000,000 in the aggregate. The State is generally self-insured for workers' compensation and automoobile claims.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, nonincremental estimates (based on projections of historical developments) of claims incurred but not reported, and nonincremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed, and as settlements are made and reserves adjusted, the differences are reported in current operations. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

Deferred Compensation Plan — The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and

liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

Use of Estimates — The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Newly Issued Accounting Pronouncements

GASB Statement No. 60 — The GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which became effective for fiscal years beginning after December 15, 2011. This Statement improves financial reporting by addressing issues related to service concession arrangements. This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 61 — The GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, which became effective for fiscal years beginning after June 15, 2012. This Statement modifies certain requirements for inclusion of Component Units in the financial reporting entity. This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 62 — The GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which became effective for reporting periods beginning after December 15, 2011. The objective of this Statement is to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") pronouncements. This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 63 — The GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which became effective for financial statements for periods beginning after December 15, 2011. GASB Statement No. 63 provides financial statement presentation guidance for these elements; however, it does not identify any additional items that should be recognized within these element classifications. GASB Statement No. 63 only will apply to items that have been specifically identified by the GASB as deferred outflows of resources or deferred inflows of resources. This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 65 — The GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, which will become effective for financial statements for periods beginning after December 15, 2012. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources or inflows of resources. The State is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 66 — The GASB issued Statement No. 66, Technical Corrections — 2012 — an Amendment of GASB Statements No. 10 and No. 62, which will become effective for financial statements for periods beginning after December 15, 2012. The objective of this Statement is to resolve conflicting accounting and financial reporting guidance between previously issued statements. The State does not expect that this Statement will have a material effect on its financial statements.

GASB Statement No. 67 — The GASB issued Statement No. 67 - Financial Reporting for Pension plans; an Amendment of GASB Statement No. 25, which will become effective for financial periods beginning after June 15, 2013. This statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The ERS, which is administered on behalf of public employees for both the State and county governments, is excluded from the State's reporting entity; therefore, the State does not expect that this Statement will have a material effect on its financial statements.

GASB Statement No. 68 — GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, which will become effective for financial statements for fiscal years beginning after June 15, 2014. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement replaces the requirements of GASB No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of GASB No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of GASB No. 27 and GASB No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The State is currently evaluating the impact that GASB No. 68 will have on its financial statements.

GASB Statement No. 69 – The GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations, which will become effective for financial statements for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The State does not expect that this Statement will have a material effect on its financial statements.

GASB Statement No. 70 – The GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which will become effective for reporting periods beginning after June 15, 2013. This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees). The State does not expect that this Statement will have a material effect on its financial statements.

GASB Statement No. 71 – The GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68, which should be applied

simultaneously with the provisions of GASB No. 68. GASB No. 71 amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of GASB No. 68 by employers and nonemployer contributing entities. The State is currently evaluating the impact that this statement will have on its financial statements.

2. CASH AND INVESTMENTS

The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance pools and invests any monies of the State, which in the Director of Finance's judgment, are in excess of the amounts necessary for meeting the specific requirements of the State. Investment earnings are allocated to the Primary Government based on its equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, auction rate securities, and repurchase agreements with federally-insured financial institutions.

Cash — The State maintains approximately 20 bank accounts for various purposes at locations throughout the State and the nation. Bank deposits are under the custody of the Director of Finance. For financial statement reporting purposes, cash and cash equivalents consist of cash, time certificates of deposit, and money market accounts. Cash and cash equivalents also include repurchase agreements and U.S. government securities with original maturities of three months or less.

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) as of June 30, 2013, was $1,319,112,000 and $912,333,000, respectively, for the Primary Government and unrestricted cash for the Fiduciary Funds as of June 30, 2013, was $531,461,000.

Information relating to the bank balance, insurance, and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately $2,233,878,000 at June 30, 2013. Of that amount, approximately $2,223,778,000 represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of $193,257,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Investments — The State holds investments both for its own benefit and as an agent for other parties.

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance. The pool's investment options are limited to investments listed in the Hawaii

Revised Statutes. As of June 30, 2013, the State had material investments in repurchase agreements. According to the Department of Budget and Finance, the repurchase agreement investment contracts are valued on the cost basis.

At the end of each year the Department of Budget and Finance ("Budget and Finance") allocates the investment pool amount to each of the participants including those participants who are part of the Proprietary Fund and Fiduciary Fund. The allocation is based on the average monthly investment balance of each participant in the investment pool.

The following tables present the State's investments and maturities at June 30, 2013 (amounts expressed in thousands).

		Maturity (in Years)		
	Fair Value	Less than 1	1–5	>5
Investments — Primary Government:				
Certificates of deposit	$ 976,243	$ 878,619	$ 97,624	$ -
U.S. government securities	1,092,462	567,854	320,667	203,941
Repurchase agreements	255,683	219,887	35,796	-
	$ 2,324,388	$ 1,666,360	$ 454,087	$ 203,941
Investments — Fiduciary Funds:				
Certificates of deposit	$ 166,308	$ 149,677	$ 16,631	$ -
U.S. government securities	186,106	99,614	50,716	35,776
Repurchase agreements	43,557	37,459	6,098	-
	$ 395,971	$ 286,750	$ 73,445	$ 35,776

Interest Rate Risk — As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

Credit Risk — The State's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

Custodial Risk — For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess-SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping, certain types of securities to collateralize repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk — The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

3. CAPITAL ASSETS

For the fiscal year ended June 30, 2013, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

	Governmental Activities			
	Balance — July 1, 2012	Additions	Deductions	Balance — June 30, 2013
Capital assets not being depreciated:				
Land and land improvements	$ 2,207,145	$ 25,443	$ -	$ 2,232,588
Construction in progress	707,883	386,038	(229,205)	864,716
Total capital assets not being depreciated	2,915,028	411,481	(229,205)	3,097,304
Capital assets being depreciated:				
Infrastructure	8,915,933	130,673	-	9,046,606
Buildings and improvements	3,919,334	145,886	(274)	4,064,946
Equipment	385,967	29,019	(10,320)	404,666
Total capital assets being depreciated	13,221,234	305,578	(10,594)	13,516,218
Less accumulated depreciation:				
Infrastructure	(4,918,285)	(225,882)	-	(5,144,167)
Buildings and improvements	(2,071,343)	(140,626)	-	(2,211,969)
Equipment	(313,285)	(22,199)	7,427	(328,057)
Total accumulated depreciation	(7,302,913)	(388,707)	7,427	(7,684,193)
Total capital assets	$ 8,833,349	$ 328,352	$ (232,372)	$ 8,929,329

	Business-Type Activities			
	Balance — July 1, 2012	Additions	Deductions	Balance — June 30, 2013
Capital assets not being depreciated:				
Land and land improvements	$ 585,215	$ 20,700	$ -	$ 605,915
Construction in progress	394,123	150,106	(128,667)	415,562
Total capital assets not being depreciated	979,338	170,806	(128,667)	1,021,477
Capital assets being depreciated:				
Land and improvements	1,175,429	13,024	-	1,188,453
Buildings and improvements	2,074,723	57,819	(10)	2,132,532
Equipment	254,958	59,358	(1,396)	312,920
Total capital assets being depreciated	3,505,110	130,201	(1,406)	3,633,905
Less accumulated depreciation:				
Land and improvements	(749,174)	(33,982)	-	(783,156)
Buildings and improvements	(1,082,382)	(56,905)	-	(1,139,287)
Equipment	(179,695)	(25,427)	5,262	(199,860)
Total accumulated depreciation	(2,011,251)	(116,314)	5,262	(2,122,303)
Total capital assets	$ 2,473,197	$ 184,693	$ (124,811)	$ 2,533,079

Depreciation expense for the fiscal year ended June 30, 2013, was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities:	
Highways	$209,650
Lower education	69,893
General government	33,223
Urban redevelopment and housing	22,620
Public safety	19,503
Conservation of natural resources	10,170
Health	7,907
Economic development and assistance	4,446
Welfare	2,369
Culture and recreation	8,926
Total depreciation expense — governmental activities	$388,707
Business-type activities:	
Airports	$ 92,231
Harbors	22,614
EUTF	1,375
DWTLF	10
WPCF	84
Total depreciation expense — business-type activities	$116,314

4. GENERAL OBLIGATION BONDS PAYABLE

The State issues general obligation bonds primarily to provide for the acquisition and construction of major capital facilities. Although certain general obligation debt are being retired from the resources of the Proprietary Funds — Airports and Harbors and are recorded in those funds, all general obligation bonds are backed solely by the full faith and credit of the State.

All issues, except Series CH, issued November 1, 1993; Series CM, issued December 1, 1996; Series CY, issued February 15, 2002; Series DL and DM, issued May 20, 2008; Series DO and DP, issued December 16, 2008; Series DR, issued June 23, 2009; Series DT and DW, issued November 24, 2009, Series DY, issued February 18, 2010, and Series EC and ED, issued December 7, 2011, contain call provisions. Stated interest rates range from 0.2% to 6.5%.

On December 4, 2012, the State issued $444,000,000 of general obligation bonds, $396,990,000 of general obligation refunding bonds, and $26,000,000 of taxable general obligation bonds of 2012, Series EE, EF, and EG, respectively. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. Within the newly issued Series EE, EF, and EG, the bonds that mature on or after November 1, 2023 are subject to optional redemption.

Refunding Series EF has an interest rate of 5.0% and was used to advance refund $435,065,000 of certain general obligation bonds previously issued. The net proceeds of $502,244,000 (including a premium of $106,382,000 and after payment of $1,128,000 in underwriting fees and other issuance costs) related to the issuance of Series EF were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously

issued outstanding general obligation bonds series DD, DE, DF, DI, DJ, DK, and DQ. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advanced refunding, the State decreased its total debt service payments over the next 12 years by $54,861,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $58,967,000.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust, to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State's basic financial statements. At June 30, 2013, $828,420,000 of bonds outstanding is considered defeased. At June 30, 2013, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	$ 4,566,320
Noncallable	1,001,535
Total general obligation bonds outstanding	5,567,855
Less amount recorded as a liability of — Proprietary Funds — Harbors	(32,934)
Amount recorded in the governmental activities of the Primary Government	$ 5,534,921

A summary of general obligation bonds outstanding by series as of June 30, 2013, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount	Amount Outstanding
CH	November 1, 1993	4.750%	November 1, 2013	$ 250,000	$ 13,885
CM	December 1, 1996	6.500%	December 1, 2013–2016	150,000	33,320
CW	August 1, 2001	4.500%	August 1, 2013	156,750	1,220
CY	February 15, 2002	5.750%	February 1, 2014–2015	319,290	84,685
CZ	November 26, 2002	3.750%	July 1, 2013	300,000	1,945
DA	September 16, 2003	4.000%–5.250%	September 1, 2013–2023	225,000	89,580
DB	September 16, 2003	4.000%–5.250%	September 1, 2013–2016	188,650	85,765
DD	May 13, 2004	4.000%–5.250%	May 1, 2014–2016	225,000	30,635
DE	November 10, 2004	3.375%–5.000%	October 1, 2013–2015	225,000	36,350
DF	June 15, 2005	3.500%–5.000%	July 1, 2013–2025	225,000	71,115
DG	June 15, 2005	5.000%	July 1, 2013–2017	722,575	441,085
DI	March 23, 2006	3.900%–5.000%	March 1, 2014–2026	350,000	90,340
DJ	April 12, 2007	3.700%–5.000%	April 1, 2014–2027	350,000	236,370
DK	May 20, 2008	3.750%–5.000%	May 1, 2014–2028	375,000	337,570
DL	May 20, 2008	3.250%–5.000%	May 1, 2014–2018	29,010	21,405
DM	May 20, 2008	4.670%	May 1, 2014	25,000	4,590
DN	December 16, 2008	3.500%–5.500%	August 1, 2013-2028	100,000	96,115
DO	December 16, 2008	3.250%–5.000%	August 1, 2013-2018	101,825	79,420
DP	December 16, 2008	4.650%–5.680%	August 1, 2013-2016	26,000	18,155
DQ	June 23, 2009	3.600%–5.000%	June 1, 2014-2029	500,000	445,785
DR	June 23, 2009	3.000%–5.000%	June 1, 2014-2019	225,410	203,910
DS	November 5, 2009	0.200%–1.450%	September 15, 2014-2024	32,000	32,000
DT	November 24, 2009	2.250%–5.000%	November 1, 2014-2019	204,140	204,140
DW	November 24, 2009	2.250%–5.000%	November 1, 2013	36,425	36,425
DX	February 18, 2010	3.000%–5.530%	February 1, 2015-2030	500,000	500,000
DY	February 18, 2010	3.000%–5.000%	February 1, 2015-2020	221,625	221,625
DZ	December 7, 2011	3.500%–5.000%	December 1, 2016- 2031	800,000	800,000
EA	December 7, 2011	2.000%- 5.000%	December 1, 2016- 2023	403,455	403,455
EC	December 7, 2011	2.000%- 5.000%	December 1, 2013	56,225	56,225
ED	December 7, 2011	2.000%- 5.000%	December 1, 2015	23,750	23,750
EE	December 4, 2012	1.000%- 5.000%	November 1, 2017-2032	444,000	444,000
EF	December 4, 2012	5.000%	November 1, 2017- 2024	396,990	396,990
EG	December 4, 2012	1.000%- 3.625%	November 1, 2017-2032	26,000	26,000
					$ 5,567,855

The general obligation bonds outstanding financed the Hawaiian Homes Lands Trust settlement and the acquisition, construction, extension, or improvement of various public improvement projects, including public buildings and facilities, public schools, community college and university facilities, public libraries and parks, and for other public purposes.

A summary of the bond premium activities for fiscal year 2013 is as follows (amounts expressed in thousands):

Balance — July 1, 2012	$ 344,857
GO Bond Series EE, EF, and EG	199,858
Defeased Bond Series DD, DE, DF, DI, DJ, DK, and DQ	(17,196)
Current-year amortization	(49,234)
Balance — June 30, 2013	$ 478,285

A summary of debt service requirements to maturity on the governmental activities' general obligation bonds is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2014	$ 430,556	$ 259,654	$ 690,210
2015	412,116	241,282	653,398
2016	406,473	220,708	627,181
2017	426,177	200,983	627,160
2018	407,573	179,757	587,330
2019–2023	1,592,401	652,856	2,245,257
2024–2028	1,274,654	303,166	1,577,820
2029–2032	584,971	54,441	639,412
	$ 5,534,921	$ 2,112,847	$ 7,647,768

A summary of debt service requirements to maturity on the business-type activities' general obligation bonds are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2014	$ 1,758	$ 1,623	$ 3,381
2015	1,844	1,537	3,381
2016	1,932	1,449	3,381
2017	2,023	1,358	3,381
2018	2,122	1,258	3,380
2019–2023	12,289	4,615	16,904
2024–2028	10,966	1,350	12,316
	$ 32,934	$ 13,190	$ 46,124

The State Constitution limits the amount of general obligation bonds, which may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit on the aforementioned issues. The legal debt margin at June 30, 2013, was $353,351,000.

At June 30, 2013, general obligation bonds authorized but unissued were approximately $1,903,968,000.

5. REVENUE BONDS PAYABLE

Governmental Activities — Revenue Bonds are payable from and collateralized by the Department's revenues generated from certain capital improvement projects. On December 15, 2011, Highways issued $112,270,000 in State of Hawaii Highway Revenue Bonds of 2011, Series A, with interest rates ranging from 1.0% to 5.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually January 1 through 2032.

On December 15, 2011, Highways issued $5,095,000 in State of Hawaii Highway Revenue Bonds of 2011, Series B, with an interest rate of 4.0% to advance refund $5,400,000 of certain outstanding highway revenue bonds previously issued. The bond is payable on January 1, 2023.

On April 2, 2009, the State of Hawaii Department of Hawaiian Homelands (DHHL) issued $42,500,000 in Revenue Bonds, Series 2009, with interest rates ranging from 4% to 6% to finance the construction of certain DHHL capital improvement projects. The bonds are payable annually on April 1 through 2039.

On December 17, 2008, Highways issued $125,175,000 in State of Hawaii Highway Revenue Bonds, Series 2008, with interest rates ranging from 4.75% to 6.00% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2029.

On March 15, 2005, Highways issued $60,000,000 in State of Hawaii Highway Revenue Bonds of 2005, Series A, with interest rates ranging from 3.5% to 5.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on July 1 through 2025.

On March 15, 2005, Highways issued $123,915,000 of State of Hawaii Highway Revenue Bonds of 2005, Series B, with interest rates ranging from 3.50% to 5.25% to advance refund $128,705,000 of certain outstanding highway revenue bonds previously issued. The bonds are payable annually on July 1 through 2021.

On April 15, 2003, Highways issued $44,940,000 in State of Hawaii Highway Revenue Bonds, Series of 2003, with interest rates ranging from 4.00% to 5.25% to advance refund $45,350,000 of outstanding State of Hawaii Highway Revenue Bonds, Series of 1993, with an average interest rate of 4.42%. The State made its last bond payment for this series on July 1, 2013.

On July 1, 1998, Highways issued State of Hawaii Highway Revenue Bonds, Series of 1998, in the principal amount of $94,920,000. Bond proceeds related to this issue amounted to $97,542,000, of which $71,921,000 was used to finance certain highway improvements and other related projects for the state highways system, and $25,621,000 was used to advance refund certain outstanding highway revenue bonds. The difference in the principal amount and proceeds relates to bond premium and accrued interest. The bonds bear interest at rates of 5.5% and mature on July 1, 2017 and July 1, 2018.

The bonds are payable solely from and collateralized by the revenues, consisting primarily of highway fuel taxes, vehicle registration fees, vehicle weight taxes, and rental motor vehicle and tour vehicle surcharge taxes.

In addition to the proceeds from the State of Hawaii Highway Revenue Bonds of 2005, Series B; the proceeds of the State of Hawaii Highway Revenue Bond of 2011, Series B, State of Hawaii Highway Revenue Bonds, Series of 2003; and a portion of the proceeds of the State of Hawaii Highway Revenue

Bonds, Series of 1998 (see above); were placed in irrevocable trusts and used to purchase securities of the U.S. government to meet the debt service requirements of the refunded bonds.

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions.

The following is a summary of Highways and DHHL revenue bonds issued and outstanding at June 30, 2013 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways:					
1998	July 1, 1998	5.500 %	July 1, 2017–July 1, 2018	$ 94,920	$ 27,580
2003	April 15, 2003	4.00%–5.25%	July 1, 2013	44,940	5,360
2005 A	March 15, 2005	3.50%–5.00%	July 1, 2013–2025	60,000	44,200
2005 B	March 15, 2005	3.50%–5.25%	July 1, 2013–2021	123,915	101,430
2008	December 17, 2008	4.75%–6.00%	January 1, 2014–2029	125,175	109,090
2011 A	December 15, 2011	1.00%-5.00%	January 1, 2014–2032	112,270	108,580
2011 B	December 15, 2011	4.00%	January 1, 2023	5,095	5,095
DHHL:					
2009	April 2, 2009	4.00%–6.00%	April 1, 2014–2039	42,500	39,815
					$ 441,150

A summary of the revenue bond premium activities for fiscal year 2013 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance — July 1, 2012	$ 20,770
Current-year additions	-
Current-year amortization	(2,753)
Balance — June 30, 2013	$ 18,017

Debt service requirements to maturity on revenue bonds are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2014	$ 28,425	$ 21,928	$ 50,353
2015	29,945	20,609	50,554
2016	31,390	19,148	50,538
2017	32,925	17,593	50,518
2018	34,530	15,922	50,452
2019–2023	123,095	58,114	181,209
2024–2028	94,440	32,770	127,210
2029–2033	51,590	10,831	62,421
2034–2038	11,970	3,087	15,057
2039	2,840	170	3,010
	$ 441,150	$ 200,172	$ 641,322

Business-Type Activities — Revenue bonds are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

Airports System Revenue Bonds — The Airports system revenue bonds are payable solely from and collateralized by airport revenues, which include all aviation fuel taxes levied. The Airports system revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102% to 100% of principal.

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2013 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2010A, refunding	2.00%–5.25%	2039	$ 478,980	$ 478,395
2010B, refunding	3.00%–5.00%	2020	166,000	150,750
2011, refunding	2.00%-5.00%	2024	300,885	288,885
			$ 945,865	918,030
Add unamortized premium				23,672
Less:				
Deferred loss on refunding				(6,207)
Current portion				(40,305)
Noncurrent portion				$ 895,190

Airports Special Facility Revenue Bonds — Airports entered into three special facility lease agreements with Continental Airlines, Inc. ("Continental") in November 1997 and July 2000, and Caterair International

Corporation in December 1990, which was subsequently assigned to Sky Chefs, Inc. ("Sky Chefs") effective January 2002. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of $25,255,000, $16,600,000, and $6,600,000, respectively. Those bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facilities. These bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facilities and aggregated to $30,100 at June 30, 2013.

The following is a summary of pertinent information on the Airports special facility revenue bonds at June 30, 2013.

$25,255,000 Issue

The bonds bear interest at 5.625% and are subject to redemption at the option of Airports, upon the request of Continental, at prices ranging from 101% to 100%, depending on the dates of redemption, or at 100%, plus interest if the facilities are destroyed or damaged extensively.

Interest-only payments are due semiannually on May 15 and November 15 of each year until the bonds mature on November 15, 2027, at which time the entire principal amount is due.

$16,600,000 Issue

On July 15, 2000, Airports issued $16,600,000 of term special facility bonds (Continental), Refunding Series of 2000, with an interest rate of 7.00%, due June 1, 2020, to, in part; refund $18,225,000 of its outstanding Series of 1990 bonds (Continental). The bonds are subject to redemption on or after June 1, 2010, at the option of Airports, upon the request of Continental or, if the facilities are destroyed or damaged extensively, at 100% of principal, plus interest.

Special facility revenue bonds payable at June 30, 2013, consisted of the following (amounts expressed in thousands):

	Continental		Total
Current portion	$ 970	$ -	$ 970
Noncurrent portion	7,405	21,725	29,130
	$ 8,375	$ 21,725	$ 30,100

The special facility leases are accounted for and recorded as direct financing leases. The remaining lease payments to be paid by the lessees (including debt service requirements on the special facility revenue bonds) are recorded as a restricted asset, and the special facility revenue bonds outstanding are recorded as a liability in the accompanying basic financial statements.

Harbors Revenue Bonds — The Harbors revenue bonds are collateralized by a charge and lien on the gross revenues of the commercial harbors system and upon all improvements and betterments thereto, and all funds and securities created in whole or in part from revenues or from the proceeds of any bonds issued. The Harbors revenue bonds are subject to redemption at the option of the DOT and the State during specific years at prices at 100% of face value.

The following is a summary of the Harbors revenue bonds as of June 30, 2013 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current: Principal Due July 1, 2013	Current: Due January 1, 2014	Current: Total	Noncurrent
2000	July 1, 2029	5.75%	$ 79,405	$ -	$ -	$ -	$ 14,670
2002	July 1, 2019	3.00%–5.50%	24,420	610	-	610	8,795
2004	January 1, 2024	2.50%–6.00%	52,030	-	1,430	1,430	19,280
2006	January 1, 2031	4.00%–5.25%	96,570	-	2,780	2,780	77,640
2007	July 1, 2027	4.25%–5.50%	51,645	4,475	-	4,475	37,920
2010	July 1, 2040	3.00%–5.75%	201,390	3,360	-	3,360	192,935
			$ 505,460	8,445	4,210	12,655	351,240
Add: unamortized premium				-	-	-	1,022
Less:							
Unamortized discount				-	-	-	(14)
Unamortized deferred loss on refunding				-	-	-	(4,254)
				$ 8,445	$ 4,210	$ 12,655	$ 347,994

On August 2, 2013, the Harbors Division issued 23,614,000 Series A of 2013 revenue refunding bonds through a private placement transaction with Capital One Public Funding LLC. These bonds refunded the Series A of 2000 and Series B of 2002 revenue bonds. This bond refunding provided net present value savings of approximately $3,940,000 million as measured from the closing date at a fixed coupon rate of 3.25%.

Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2014	$ 47,835	$ 63,716	$ 111,551
2015	50,045	61,494	111,539
2016	52,360	59,200	111,560
2017	54,780	56,765	111,545
2018	57,450	54,125	111,575
2019–2023	327,665	225,486	553,151
2024–2028	231,595	149,957	381,552
2029–2033	179,255	96,329	275,584
2034–2038	202,150	49,189	251,339
2039–2041	68,585	4,591	73,176
	$ 1,271,720	$ 820,852	$ 2,092,572

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the 12- and 6-month periods, respectively, preceding the date on which the payments are due. Accordingly, the above debt service requirements do not present principal payments due on July 1, 2013 and January 1, 2014 of $52,960,000 and interest payments due on July 1, 2013 of $31,843,000.

Revenue Bonds Authorized, but Unissued — At June 30, 2013, revenue bonds authorized, but unissued were approximately $4,933,099,000.

Special Purpose Revenue Bonds — HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2013, amounted to approximately $1,328,058,000. At June 30, 2013, special purpose revenue bonds of $1,236,750,000 were authorized, but unissued.

Improvement District Bonds — The HCDA is authorized to issue improvement district bonds under HRS Chapter 206E. Proceeds from the bond issues are utilized to finance the redevelopment of districts designated by the State Legislature. The bonds are not general obligations of the State and are payable solely by assessment liens on the real property of the designated district. Accordingly, the State has not included those bonds in its basic financial statements. There were no bonds outstanding as of June 30, 2013.

6. CHANGES IN LONG-TERM LIABILITIES

Changes in the long-term liabilities for the Primary Government (governmental activities and business-type activities) were as follows (amounts expressed in thousands):

	Governmental Activities				
	Balance — July 1, 2012	Additions	Deductions	Balance — June 30, 2013	Due Within One Year
General obligation bonds payable — net	$ 5,475,348	$ 866,990	$ (807,417)	$ 5,534,921	$ 430,556
Accrued vacation payable	212,783	91,495	(83,505)	220,773	63,290
Revenue bonds payable	468,180	-	(27,030)	441,150	28,425
Reserve for losses and loss adjustment costs	169,900	25,111	(39,873)	155,138	39,493
Other postemployment benefits liability	2,530,970	736,968	(201,486)	3,066,452	-
Capital lease obligations	95,340	-	(5,461)	89,879	6,092
Total	$ 8,952,521	$ 1,720,564	$ (1,164,772)	$ 9,508,313	$ 567,856

	Business-Type Activities				
	Balance — July 1, 2012	Additions	Deductions	Balance — June 30, 2013	Due Within One Year
General obligation bonds payable — net	$ 34,611	$ -	$ (1,677)	$ 32,934	$ 1,758
Accrued vacation and retirement benefits payable	12,316	5,588	(5,425)	12,479	3,753
Revenue bonds payable	1,370,314	1,350	(45,552)	1,326,112	53,798
Reserve for losses and loss adjustment costs	4,903	1,114	(1,202)	4,815	1,003
Other postemployment benefits liability	47,568	23,709	(2,853)	68,424	-
Prepaid airport use charge fund	48,117	126	(7,446)	40,797	2,865
	$ 1,517,829	$ 31,887	$ (64,155)	$ 1,485,561	$ 63,177

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's Governmental Funds. Approximately 79%, 20%, and 1% of the accrued vacation liability has been paid by the General Fund, Special Revenue Funds, and Capital Projects Fund, respectively, during the fiscal year ended June 30, 2013.

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consisted of the following at June 30, 2013 (amounts expressed in thousands):

	Due From	Due To
Governmental Funds:		
General Fund:		
Special Revenue Funds	$ 20,348	$ -
Capital Projects Fund	89,900	-
Med-Quest Special Revenue Fund	10,500	-
Debt Service Fund	-	63
	120,748	63
Capital Projects Fund:		
General Fund	-	89,900
Special Revenue Funds	-	-
Proprietary Fund	1,597	-
	1,597	89,900
Med-Quest Special Revenue Fund —		
General Fund	-	10,500
Nonmajor Governmental Funds:		
General Fund	63	20,348
Capital Projects Fund	-	-
	63	20,348
Proprietary Fund —		
Harbors	-	1,597
	$ 122,408	$ 122,408

The due from Capital Projects Fund in the General Fund consists primarily of funds transferred prior to the issuance of bonds. Remaining interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

8. TRANSFERS

Transfers between funds occur when a fund receiving revenues, transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers between funds occur. For the fiscal year ended June 30, 2013, transfers by fund were as follows (amounts expressed in thousands):

	Transfers In	Transfers Out
Governmental Funds:		
General Fund — Nonmajor Governmental Funds	$ 77,451	$ 696,818
Capital Projects Fund — Nonmajor Governmental Funds	129,953	32,049
Med-Quest Special Revenue Fund		
General Fund	3,556	28,396
Nonmajor Governmental Funds	4,800	3,365
	8,356	31,761
Nonmajor Governmental Funds:		
General Fund	694,056	49,849
Capital Projects Fund	32,049	129,953
Medquest Fund	3,365	4,800
Other Nonmajor Governmental Funds	88,687	88,687
	818,157	273,289
	$ 1,033,917	$ 1,033,917

The General Fund transferred approximately $631,224,000 to the Nonmajor Governmental Funds for debt service payments and approximately $62,832,000 to subsidize various Special Revenue Funds programs. Approximately $129,953,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. LEASES

Lease Commitments

Governmental Activities — The State leases office facilities and equipment under various operating leases expiring through fiscal year 2038. Future minimum lease commitments for noncancelable operating leases as of June 30, 2013, were as follows (amounts expressed in thousands):

Fiscal Year	
2014	$ 15,692
2015	12,808
2016	10,003
2017	6,873
2018	3,918
2019–2023	7,849
2024-2028	1,889
2029-2033	1,810
2034-2038	1,757
Total future minimum lease payments	$ 62,599

Rent expenditures for operating leases for the fiscal year ended June 30, 2013, amounted to approximately $36,302,000.

On April 14, 2011, an equipment lease purchase agreement between the Department of Public Safety of the State of Hawaii and Capital One Public Funding, LLC was entered into, to fund the acquisition and installation of energy conservation equipment at the Halawa Correctional Facility and Oahu Community Correctional Center. An escrow agent to provide for future vendor payments as requested by the State deposited the proceeds of $25,512,000 in an escrow fund. Payments commenced on May 1, 2012 and continue through November 1, 2030 at an interest rate of 5.021%.

An equipment lease purchase agreement between the Department of Accounting and General Services of the State of Hawaii and Capital One Public Funding, LLC was entered into on September 3, 2009, to fund the acquisition and installation of energy conservation equipment at various State buildings in the downtown Honolulu district. The proceeds of $12,377,000 were deposited in an escrow fund by an escrow agent to provide for future vendor payments as requested by the State. Payments commenced on June 1, 2010 and continue through June 1, 2026 at an interest rate of 5.389%.

The State issued $41,120,000 in Certificates of Participation ("COPS" or "Certificates") 2009 Series A, on November 5, 2009, to fully refund $47,185,000 of the 1998 Series A Certificates and the 2000 Series A Certificates which proceeds were used to purchase the Kapolei State Office Building and the Capitol District Building. The net proceeds of $43,490,000 (including a premium of $2,876,000 and after payment of $503,000 in underwriting fees) were deposited to the Depository Trust Company in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding COPs. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advance refunding, the State reduced its total

debt service payments over the next 10 years by $7,487,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,061,000. Payments commence on May 1, 2010, and continue through May 1, 2020 with interest rates ranging from 2.0%–5.0%. The 2009 Series A Certificates are subject to prepayment prior to their maturity dates in the event of a casualty loss or governmental taking of all or a portion of the premises subject to the Leases, but are not otherwise subject to prepayment prior to maturity.

In November 2006, the State issued $24,500,000 in COPS to finance the construction of the Kapolei Office and Conference Facility. The proceeds of the COPS were remitted to a trustee, who will then remit the amounts to the developer as construction progresses. The holders of the COPS are the current owners of the Kapolei Office and Conference Facility. Accordingly, the State's rental payments for the use of the Kapolei Office and Conference Facility are paid to a trustee, who then remits those amounts to the holders of the COPS. Payments commenced on May 1, 2007, and continue through November 1, 2031, with interest rates ranging from 3.63% to 5.00%. Title to the Kapolei Office and Conference Facility will transfer to the State upon the payment of all required rents.

Future minimum lease payments for these capital leases are as follows (amounts expressed in thousands):

Fiscal Year	
2014	$10,271
2015	10,563
2016	10,901
2017	11,032
2018	11,434
2019–2023	32,083
2024–2028	26,668
2029–2032	14,770
Total future minimum lease payments	127,722
Less amount representing interest	(37,843)
Present value of net minimum lease payments	89,879
Less current portion	(6,092)
Noncurrent portion	$83,787

Capital assets acquired under these capital lease are as follows (amounts expressed in thousands):

Asset type:	
Buildings and improvements	$ 64,385
Equipment	37,889
Total assets	$ 102,274

Lease Rentals

Airports — Airport-Airline Lease Agreement

Airports and the airline companies serving the Airports system ("signatory airlines") operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992. Under the lease agreement, the signatory airlines each have the nonexclusive right to use the facilities, equipment, improvements, and services of the Airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994, and extended the expiration date to June 30, 1997 (hereafter the lease agreement and the five subsequent agreements are collectively referred to as the "lease extension agreement"). The lease extension agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997, unless terminated by either party upon at least 60 days prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the first amended lease extension agreement effective January 1, 2008.

Under the first amended lease extension agreement, the Airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airport system facilities from the signatory airlines that directly use them. The Airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an Airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Airports — Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal years 1996 through 2012 have been transferred to the PAUCF.

Airports — Aviation Fuel Tax

In May 1996, the Department of Taxation issued a tax information release, which stated that effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to approximately $4,674,000 for fiscal year 2013.

Airports — System Rates and Charges

Signatory and nonsignatory airlines were assessed the following rates and charges:

- Landing fees amounted to approximately $63,800,000 for fiscal year 2013. Airport landing fees are shown net of aviation fuel tax credits of $3,926,000 for fiscal year 2013, on the statement of revenues,

expenses, and changes in net position, which resulted in net airport landing fees of $59,874,000 for fiscal year 2013. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports interisland landing fees for signatory airlines are set at 41.0% of the Airports landing fees for overseas flights for 2013 and are scheduled to increase 1.0% annually until it reaches 100%.

- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately $54,838,000 for fiscal year 2013. Overseas and interisland joint-use premise charges were established to recover Airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates, and are recovered based on a computed rate per revenue passenger landing.

- Exclusive use premise charges amounted to approximately $48,521,000 for fiscal year 2013, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately $29,323,000 for fiscal year 2013.

- Airports system support charges amounted to approximately $1,000 for fiscal year 2013. The charges were established to recover residual costs of the Airports system and are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports system interisland support charges for nonsignatory airlines are set at 32% of the Airports system support charges for overseas flights.

Airports — Other Operating Leases

Airports leases building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a basic minimum rent. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2013, was approximately $47,312,000.

In fiscal years 2006 and 2013, Airports converted certain past-due amounts from two lessees and a lessee, respectively, into promissory notes. The notes bear interest at rates ranging from 0.0% to 5.0%, and are due over periods ranging from zero to nine years. The balance of $206,000 at June 30, 2013, is due as follows: $128,000 in 2014, $37,000 in 2015, $32,000 in 2016, and $9,000 thereafter.

Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, the Honolulu International Airport retail concession, and the Kahului retail concession, accounted for approximately 27% of total concession fees revenues for the fiscal year ended June 30, 2013.

DFS was awarded a 10-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007, and terminating on May 31, 2017. On August 31, 2010, the lease was amended under provisions of Act 33, 2009, Hawaii Session Laws 883. The amended lease contract provides for a minimum annual guarantee rent, as well as percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2007 to May 31, 2011, the minimum annual guarantee rent is $38 million and the percentage rent is as follows: (1) for total concession receipts greater than $155 million, but less than $195 million, 22.5% for on-airport sales, and 18.5% for off-airport sales; (2) for total concession receipts greater than $195 million, but less than $235 million, 30.0% for on-airport sales and 22.5% off-airport sales; (3) for total concession receipts greater than $235 million, but less than $275 million, 30.0% for on-airport sales, and 26.5% for off-airport sales; and (4) for total concession receipts greater than $275 million 30.0% for on-

airport sales and off-airport sales. For the period from June 1, 2011 to May 31, 2017, the minimum annual guarantee rent is equal to 85% of the total rent paid for the fourth year of the lease term. Percentage rent during this period is calculated the same as during the first four years of the lease term.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Honolulu International Airport, with the term commencing on April 1, 2009, and terminating on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts and (2) minimum annual guarantee rent (85% of the actual annual fee paid for the preceding year).

Harbors — Aloha Tower Complex Development

The Aloha Tower Development Corporation (ATDC) is a state agency established under HRS Chapter 206J, primarily to redevelop the Aloha Tower complex. The complex encompasses Piers 5 to 23 of Honolulu Harbor. In September 1993, Harbors entered into a lease with the ATDC transferring portions of the Aloha Tower complex to the ATDC. The ATDC is required annually to reimburse Harbors for any losses in revenues during the term of the lease caused by any action of the ATDC or the developer, and to provide replacement facilities for maritime activities at no cost to Harbors.

In September 1993, the ATDC subleased lands surrounded by Piers 8 and 9 and a portion of land surrounded by Pier 10 to a developer, and the developer and Harbors entered into a capital improvements, maintenance, operations, and securities agreement ("Operations Agreement"). The Operations Agreement allows Harbors to operate the harbor facilities at Piers 8, 9, and 10. The lease between the ATDC and the developer requires the developer to construct, at the developer's cost, various facilities, including a marketplace.

The developer later went into bankruptcy. The subsequent operator of the marketplace assumed the obligations of the sublease and the Operations Agreement in March 1998. This replacement operator has also gone through a bankruptcy proceeding and there is a new operator who has assumed the same obligations. Although the marketplace construction was substantially completed, several items on Harbors' construction punch list have yet to be completed and are being pursued with the new operator. A settlement has been reached with the new operator to satisfy the punchlist obligations which have a total value of $3.5 million, depending upon when actual payments are made by the operator within a six-year timeframe.

An amendment of the lease executed in fiscal year 2006 altered the obligations of the ATDC to reimburse Harbors on an annual basis. For the fiscal year commencing July 1, 2004, the amendment provides that the ATDC shall pay $225,000 as a minimum annual base payment. The amendment further provides that for the fiscal year commencing July 1, 2005, onward, for any year in which the ATDC shall pay for all or any portion of the cost of personnel and other expenses relating to the Hawaii Harbors Project, the parties agree that the minimum annual base payment shall be commensurately reduced by such payments.

In addition to the minimum annual base payment, the ATDC shall also pay an amount equal to 50% of the difference between the total revenues received by the ATDC for such fiscal year and the operating expenses of the ATDC for such fiscal year (equity participation payment) to reduce the amount owed to Harbors for losses in revenues by the ATDC prior to July 1, 2004. The amendment provides for an increase in the equity participation payment as the ATDC's revenues increase. The balance owed to the Harbors Division by ATDC as of June 30, 2013 was approximately $4,148,000.

At its meeting on July 13, 2011, the ATDC Board approved the transfer of the leasehold interest for the Aloha Tower Marketplace to a private operator.

Harbors — Leasing Operations

Harbors leases land, wharf, and building spaces under month-to-month revocable permits and long-term leases. The long-term leases expire during various years through September 2058. Those leases generally call for rental increases every 5 to 10 years based on a step-up or independent appraisals of the fair rental value of the leased property.

Revenues for the fiscal year ended June 30, 2013, amounted to $27,922,000 and have been included in rental revenues.

The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2013 (amounts expressed in thousands):

	Proprietary Funds		
Fiscal Year	**Airports**	**Harbors**	**Total**
2014	$ 116,025	$ 9,425	$ 125,450
2015	65,622	8,068	73,690
2016	53,048	7,829	60,877
2017	47,149	6,407	53,556
2018	14,519	6,119	20,638
2019–2023	38,514	27,906	66,420
2024–2028	12,282	25,886	38,168
2029–2033	3,414	22,159	25,573
2034–2038	1,661	15,129	16,790
2039–2043	697	11,061	11,758
2044–2048	-	6,050	6,050
2049–2053	-	2,617	2,617
2054–2058	-	2,388	2,388
2059	-	87	87
	$ 352,931	$ 151,131	$ 504,062

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2013, net direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	$ 46,898
Less amount representing interest	(20,001)
	26,897
Cash with trustee and other	3,405
	$ 30,302

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2013, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2014	$ 2,778
2015	2,770
2016	2,778
2017	2,776
2018	2,788
2019–2023	9,207
2024-2028	27,224
	$ 50,321

10. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

Hawaii Housing Finance and Development Corporation

Amounts payable from the State to the HHFDC include approximately $505,000 of miscellaneous advances previously made to other departments and approximately $11,991,000 of amounts due from DHHL related to a previous agreement to transfer certain land and development rights to the State. Pursuant to this agreement, the State was required to commence 15 annual payments of $2.2 million to the HHFDC in December 2004. Effective at that time, the HHFDC recorded the sale of the land and development rights and the net present value of the estimated future cash flows from the State using an imputed interest rate.

Hawaii Health Systems Corporation

In fiscal year 2003, HHSC received a $14,000,000 advance from the State to relieve its cash flow shortfall. At June 30, 2013, the full amount was not yet repaid to the State. HHSC also received $4,500,000 in advances from the State. $2,000,000 of the $4,500,000 in advances are to be repaid to the State in fiscal year 2014.

Hawaii Tourism Authority

During the period from October 1992 through April 1998, the State issued a series of general obligation bonds whose proceeds were used to fund the construction of the Center. These bonds are obligations of the State and are secured by the State's full faith and credit. The debt service for the general obligation bonds is to be primarily funded by an allocated portion of the State's transient accommodations tax revenue and revenue generated from the operation of the Center. Through June 30, 2000 and from July 1, 2000 to June 30, 2002, these funds were collected and accounted for by the CCA and Budget and Finance, respectively.

Effective July 1, 2002, the Convention Center Fund was established by Act 253, SLH of 2002. In accordance with Act 253, the Convention Center Fund was placed within HTA and was created to receive all revenues generated from the Center's operations and an allocated portion of the revenues received from the State's Transient Accommodations Taxes (TAT). Act 253 further states that all funds collected by the

Convention Center Fund are to be used to pay all expenses arising from the use and operation of the Center and to pay any and all debt service relating to the Center. However, responsibility for debt service payments to the bondholders on the general obligation bonds referred to above remains with the State through Budget and Finance.

The creation of the Convention Center Fund provided HTA the ability to reimburse Budget and Finance for debt service payments in accordance with a predetermined payment plan, which had been assigned to HTA by the CCA. The terms of the payment plan require HTA to reimburse Budget and Finance for principal and interest payments at an imputed interest rate of 6.0% through January 1, 2027. HTA's ability to meet its obligations in accordance with the payment plan is dependent upon the funds received by the Convention Center Fund. At June 30, 2013, the outstanding principal and aggregate interest amounts required to be reimbursed by HTA were $234,260,000 and $135,746,000, respectively. The scheduled payments to maturity for each of the next five years and thereafter in five-year increments are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2014	$ 13,135	$ 13,294	$ 26,429
2015	13,920	12,506	26,426
2016	14,755	11,671	26,426
2017	15,645	10,786	26,431
2018	16,580	9,847	26,427
2019–2023	99,080	33,063	132,143
2024–2028	61,145	44,579	105,724
	$234,260	$135,746	$370,006

Hawaii Hurricane Relief Fund

On June 25, 2002, Act 179, SLH of 2002, was signed into law by the Governor. The law provides that all interest earned from the principal in the Hurricane Relief Fund be transferred and deposited into the State General Fund each year that the Hurricane Relief Fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2013, interest earned and transferred into the State General Fund amounted to $319,000.

On May 26, 2011, Act 62, SLH of 2011, was signed into law by the Governor. This law appropriated $42 million from the HHRF into the General Fund to help balance the State's fiscal year 2011 budget. The law authorizes the Governor to appropriate additional monies from the Fund, as necessary, to balance the fiscal year 2011 State Budget. In that regard, the Fund pledged to transfer an additional $69 million to the General Fund as of June 30, 2011 and made the transfer in July 2011.

The transfers to the General Fund had reduced the balance of the Fund to levels below what would be adequate to buy reinsurance in the event of a hurricane. However, Act 62 established a mechanism to replenish the Fund from fiscal years 2014 and 2015 general excise tax revenues and authorizes the Fund to issue $75 million in revenue bonds through June 30, 2015. The Fund has not issued any revenue bonds as of June 30, 2013.

On July 3, 2013, Act 266, SLH of 2013, was signed into law by the Governor. This law appropriated $55.5 million from general excise tax revenues for fiscal years 2014 and 2015 to be deposited into the Fund. The fiscal year 2014 transfer was made in September 2013. Act 266 proposed to further accelerate recapitalization of fiscal reserves, by transferring an additional $50 million to the fund in fiscal year 2014.

11. RETIREMENT BENEFITS

Employees' Retirement System

Plan Description

All eligible employees of the State and counties are required by HRS Chapter 88 to become members of the ERS, a cost-sharing multiple-employer defined benefit public employee retirement plan. The ERS provides retirement benefits, as well as death and disability benefits. The ERS is governed by a Board of Trustees. All contributions, benefits, and eligibility requirements are established by HRS Chapter 88 and can be amended by legislative action. The ERS issues a comprehensive annual financial report that is available to the public. That report may be obtained by writing to the ERS at 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Prior to June 30, 1984, the plan consisted of only a contributory plan. In 1984, legislation was enacted to add a new noncontributory plan for members of the ERS who are also covered under Social Security. Police officers, firefighters, judges, elected officials, and persons employed in positions not covered by Social Security are precluded from the noncontributory plan. The noncontributory plan provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory plan or to elect the new noncontributory plan and receive a refund of employee contributions. All benefits vest after five and ten years of credited service under the contributory and noncontributory plans, respectively.

Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2.0% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan were eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006, were required to join the hybrid plan.

Funding Policy

Most covered employees of the contributory plan are required to contribute 7.8% of their salary. Police officers, firefighters, investigators of the departments of the County Prosecuting Attorney and the Attorney General, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2% of their salary. Most covered employees of the hybrid plan are required to contribute 6.0% of their salary. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

The State's contribution requirements as of June 30, 2013, 2012, and 2011, were approximately $418,415,000, $396,380,000, and $388,242,000, respectively. The State contributed 84.7%, 108.6%, and 105.3% of its required contribution for those years, respectively. Covered payroll for the fiscal year ended June 30, 2013, was approximately $2,694,852,000.

Post-Retirement Health Care and Life Insurance Benefits

Plan Descriptions

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH of 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public. That report may be obtained by writing to the EUTF at 201 Merchant Street, Suite 1520, Honolulu, Hawaii 96813.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Funding Policy and Annual OPEB Cost

Effective July 1, 2006, the State implemented GASB Statement No. 43 ("GASB 43"), Financial Reporting for Postemployment Benefit Plans Other Than Pensions. GASB 43 establishes accounting and financial reporting standards for plans that provide other postemployment benefits (OPEB) other than pensions. GASB 43 requires defined benefit OPEB plans that are administered as trust or equivalent arrangements to prepare a statement of plan assets and a statement of changes in plan assets.

The reporting of active and retiree (including their respective beneficiaries) healthcare benefits provided through the same plan should separate those benefits for accounting purposes between active and retiree healthcare benefits. Accordingly, the State reports the retiree healthcare benefits as OPEB in conformity with GASB 43 and the active employee healthcare benefits as risk financing in conformity with GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended.

Effective July 1, 2007, the State implemented GASB Statement No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which requires reporting the OPEB liability on an accrual basis. Because the Statement was implemented on a prospective basis, the OPEB liability at transition was zero.

The State is required by GASB 45 to obtain an actuarial valuation every other year. An actuarial valuation was performed as of July 1, 2011.

The State's base contribution levels to EUTF are established by statutes and the retiree is responsible to pay the difference if the base contribution is less than the cost of the monthly premium.

The State's base contribution levels are currently tied to the pay-as-you-go amount necessary to provide current benefits to retirees. The State's annual OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters in GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the annual OPEB cost, contributions made, the net OPEB liability, and the funding status for the EUTF and UH for each of the plans for the fiscal year ended June 30, 2013 (amounts expressed in thousands):

	EUTF	UH
Annual required contribution	$ 853,794	$ 141,099
Interest on net OPEB obligation	111,586	16,538
Adjustment to annual required contribution	(97,813)	(15,035)
Annual OPEB cost	867,567	142,602
Contributions made	(236,200)	(41,700)
Increase in net OPEB obligation	631,367	100,902
Net OPEB obligation — beginning of year	2,789,487	413,462
Net OPEB obligation — end of year	$ 3,420,854	$ 514,364
Actuarial accrued liability (AAL) July 1, 2011	$ 11,706,157	$ 1,965,769
Funded OPEB plan assets	-	-
Unfunded actuarial accrued liability (UAAL) July 1, 2011	$ 11,706,157	$ 1,965,769
Funded ratio	- %	- %
Covered payroll	$ 2,176,996	$ 517,856
UAAL as percentage of covered payroll	537.7 %	379.6 %

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	NET OPEB Obligation
EUTF	June 30, 2013	$ 867,567	27.2 %	$ 3,420,854
	June 30, 2012	856,589	27.0 %	2,789,487
	June 30, 2011	906,117	25.3 %	2,155,055
UH	June 30, 2013	$ 142,602	29.2 %	$ 514,364
	June 30, 2012	136,078	30.0 %	413,462
	June 30, 2011	150,637	25.7 %	318,143

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

On July 3, 2013, the Governor signed into law Act 268, SLH of 2013. Act 268 requires the EUTF to establish and administer separate trust accounts for each public employer for the purpose of receiving irrevocable employer contributions to prefund post-employment health and other benefit costs for retirees and their beneficiaries. It establishes the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability and requires all public employers to make annual required public employer contributions effective fiscal year 2014. Commencing fiscal year 2019, the annual public employer contribution shall be equal to the annual required contribution, as determined by an actuary retained by the EUTF board. In any fiscal year, should an employer's contribution be less than the annual required public employer contribution, the difference shall be transferred to the appropriate trust account from a portion of all general excise tax revenues, for the State, or transient accommodations tax revenues, for the counties. The State has determined that this law did not affect the OPEB liability as of June 30, 2013.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

	EUTF and UH
Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years (Open)
Asset valuation method	Fair value of assets, plus accrued contributions
Actuarial assumptions:	
Investment rate of return	4.0 %
Projected salary increases	3.5 %
Healthcare inflation rates:	
Medical & Rx Pre-65 (HMSA)	7.5% initial, 5.0% ultimate reached in 2020
Medical & Rx Pre-65 (HMSA & Kaiser-HSTA)	8.0% initial, 5.0% ultimate reached in 2020
Medical & Rx Post-65 (HMSA)	8.0% initial, 5.0% ultimate reached in 2020
Medical & Rx Post-65 (Kaiser)	12.0% initial, 5.0% ultimate reached in 2020
Dental	4.0% initial and ultimate
Vision	3.0% initial and ultimate
Medicare Part B	5.0% initial and ultimate

Effective July 1, 2013, the active contracts for medical, prescription drug, dental, vision, supplemental medical drug and life insurance were extended through June 30, 2014.

The 2013 legislature passed Act 226, SLH of 2013 that among other things, prohibited mandatory mail order. The EUTF voluntarily implemented Act 226 on October 1, 2013 for active employees and will implement Act 226 on January 1, 2014 for retirees.

12. COMMITMENTS AND CONTINGENCIES

Commitments

General Obligation Bonds — The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2013, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds:	
Highways	$ 12,511
Agriculture	6,632
Natural Resources	2,687
All Other	196
	$ 22,026

Accumulated Sick Leave — Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2013, accumulated sick leave was approximately $1,052,971,000.

Intergovernmental Expenditures — In accordance with Act 250, SLH of 2002, 45% of revenues generated by the transient accommodations tax are to be distributed to the counties.

Guarantees of Indebtedness — The State is authorized to guarantee indebtedness of others at a maximum amount of approximately $233,500,000 for aquaculture/agriculture loans, Hawaiian Home Lands loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units — HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2013.

Proprietary Fund Type — Enterprise Funds

Construction and Service Contracts

At June 30, 2013, the Enterprise Funds had commitments of approximately $362,847,000 for construction and service contracts.

Contingencies

The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time. The litigation payments relating to the fiscal years ended June 30, 2013, 2012, and 2011, approximated $17,790,000, $3,668,000, and $4,130,000, respectively.

Tobacco Settlement

In November 1998, the State settled its tobacco lawsuit as part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement will pay the State approximately $1.3 billion over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State has received approximately $48,579,000 during the fiscal year ended June 30, 2013. As of June 30, 2013, the State expects to receive $27,600,000 for the first six months of fiscal 2014.

Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the "Ceded Lands") to the State to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. On November 7, 1978, the State Constitution was amended expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish OHA to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands as provided by law, to better the conditions of native Hawaiians. In 1979, the Legislature adopted HRS Chapter 10 ("Chapter 10"), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State's management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA, and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. Except for the claims pending in the OHA v. HHA case discussed below, the Legislature, the State and federal courts, and the governor have acted to address the concerns raised. However, there can be no assurance that in the future there will not be new claims asserted against the State made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

In OHA v. HHA, OHA filed suit on July 27, 1995 (OHA v. HHA, et al., Civil No. 95-2682-07 (1st Cir.)) against the Hawaii Housing Authority (the "HHA," since succeeded by the Hawaii Public Housing Authority, as described below), the executive director of the HHA, the board members of the HHA and the Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the HHA for

its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in OHA, et al. v. State of Hawaii, et al., Civil No. 94-0205-01 (1st Cir.). The September 12, 2001 decision of the Hawaii Supreme Court (OHA v. State of Hawaii, 96 Haw. 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in OHA v. HHA, and the case remains pending.

The Housing Finance and Develoment Corporation and the HHA were merged into the Housing and Community Development Corporation of Hawaii, after the above-described suits against them were filed. This corporation subsequently was bifurcated into the HHFDC and the HPHA.

The State intends to defend vigorously against OHA's claim in OHA v. HHA.

Department of Hawaiian Home Lands

In 1991, the Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (the "HHCA") to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,753 individuals.

The process was a three step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the "Panel") to provide the Legislature with non-binding findings and advisory opinions for each claim; (2) provided for the Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring de novo civil actions by December 31, 1999 if they were not satisfied with the Panel's findings and advisory opinions, or the Legislature's response to the Panel's recommendations.

In 1997, the Legislature declared its intent to postpone acting upon the Panel's recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the Legislature until September 30, 2000 to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999.

On December 29, 1999, three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special and punitive damages for breach of trust or fiduciary duty under HRS Chapters 673 and 674, violation of the due process, equal protection and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661.

Kalima et al. v. State of Hawaii et al., Civil No. 99-4771 12VSM (1st Cir.) ("Kalima I") - Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. The plaintiffs in these other actions stipulated to stay all proceedings in their actions pending the resolution of all questions of law in Kalima I that are common to the questions of law presented in their suits. Following the dismissal without prejudice of the actions of four of the five claimants, only one lawsuit, Aguiar v. State of Hawaii, et al., Civil No. 99-612 (3rd Cir.) (*"Aguiar"*), is pending and stayed.

On March 30, 2000, the three named plaintiffs in Kalima I filed a second class action lawsuit in the state circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel's and Legislature's alleged failure to remedy their breach of trust claims under HRS Chapter 674.

Kalima et al. v. State of Hawaii, et al., Civil No. 00-1-1041-03 (1st Cir.) ("Kalima II") - All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in Kalima I that are common to both Kalima I and Kalima II. Kalima I, Kalima II and Aguiar are collectively referred to under this caption as the "Individual Claims Cases."

The plaintiffs in Kalima I filed a motion for partial summary judgment and asked the circuit court to declare that they were entitled to sue for breach of trust and recover damages under HRS Chapter 674. The State moved to dismiss the complaint and all claims in Kalima I for lack of subject matter jurisdiction. The circuit court granted the plaintiffs' motion and denied the State's motion. The State was permitted to take an interlocutory appeal. In an opinion issued June 30, 2006, the Hawaii Supreme Court affirmed the circuit court's determination that the plaintiffs were entitled to pursue their claims under HRS Chapter 674, but did not have a right to sue under HRS Chapter 661, and remanded the case back to the trial court for further proceedings.

The plaintiffs in Kalima I have since filed first and second amended complaints to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly suffered by (1) allegedly waiting too long to receive a homestead, (2) being barred from or delayed in receiving a homestead by allegedly ultra vires rules, (3) receiving allegedly uninhabitable homesteads, (4) allegedly lost applications, (5) allegedly defectively constructed homes or infrastructure, (6) allegedly being prevented from or delayed in succeeding to a parent's or spouse's homestead, (7) the manner in which the loans were administered, (8) the manner in which the leases were administered and (9) other allegedly wrongful conduct. The court granted the plaintiffs' motion to try the waiting list subclass' claims separately and first, and after a six week bifurcated trial to determine liability only, the circuit judge for Kalima II ruled on November 3, 2009 that the State committed three breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

By orders entered on November 24, 2009 and June 6, 2011, respectively, the Waiting List Liability Subclass certified for purposes of determining liability was recertified for the purpose of establishing causation and the fact of damages (over the State's objection), and again as the Waiting List Damages Model Subclass for the purpose of devising a model for use on a class-wide basis to determine the amount of damages subclass members may be awarded. Notice to the putative members of the Waiting List Damages Model Subclass of the right to opt-out of the Waiting List Damages Model Subclass was mailed to all members of the Waiting List Liability Subclass on May 22, 2012, and published on the DHHL website, and in the DHHL and OHA newsletters.

Multiple motions to establish a damages model were filed and heard between March 2011 and August 31, 2012. Orders were entered on January 24, 2012, and February 4 and 14, 2013. A three day trial to establish fair market land rents to use in lieu of testimony or documents to establish each claimant's out of pocket loss, if any, for each year the claimant waited to be awarded or offered a residential homestead on Oahu was completed on October 3, 2013. However, to date, no proceeding or procedures have been scheduled or devised to apply the damages model to determine whether and how much each claimant would be awarded in damages. On January 13 and 14, 2014, the parties were scheduled to participate in a private mediation on

the matters in controversy in the case, pursuant to the circuit court's order approving the parties' Stipulation in Participate in Private Mediation, etc., filed on September 13, 2013.

Nelson - In the First Amended Complaint filed on October 19, 2007 in Nelson et al., v. Hawaiian Homes Commission, et al., Civil No. 07-1-1663-08 BIA (1st Cir.) ("Nelson"), the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (the "HHC Act") by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

As beneficiaries of the Hawaiian Home Lands trust and the HHC Act, the Nelson plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request, or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution.

A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed. On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. In the Hawaii Supreme Court, the DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

On May 9, 2012, the Hawaii Supreme Court concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots, (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Hawaii Supreme Court thus held that plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. The Hawaii Supreme Court did, however, uphold the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." Determination of this amount awaits further litigation in the circuit court on remand. Pursuant to the Judgment on Appeal issued on July 25, 2013, the case has been remanded to the circuit court for further proceedings.

The State intends to defend vigorously against the claims against the State in all of the remaining Individual Claims Cases and in Nelson. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in the Individual Claims Cases, and some of the plaintiffs' claims in Nelson, in the respective plaintiffs' favor, could have a material adverse effect on the State's financial condition.

Employees' Retirement System

In *Kaho'ohanohano, et* al. v. State of Hawaii, Civil No. 02-1-1001-04 (GWBC) (1st Cir.), the plaintiffs challenged certain legislation enacted by the State Legislature in 1999 ("Act 100"). Act 100 authorized the State to apply the ERS actuarial investment earnings in excess of 10% for fiscal years 1997 and 1998 toward the State and county employees' annual contributions to the pension accumulation of the ERS fund. The plaintiffs asked the court to declare Act 100 unconstitutional, to enjoin the State from taking future actions inconsistent with Article XVI, Section 2 of the Hawaii Constitution, and to require the State to pay damages to the ERS in the amount of $346.9 million plus lost earnings and pre- and post-judgment interest, costs, and attorneys' fees.

The plaintiffs were allowed to amend their complaint to add two state civil service employees as plaintiffs, and their motion to certify a class, consisting of all current and former public employees other than members of the legislature, judges and attorneys in the Department of the Attorney General, was granted. Motions made by the trustees of the ERS to intervene as plaintiffs and by the City and County of Honolulu to intervene as a defendant were granted. The Court made the counties of Hawaii, Maui, and Kauai intervenor defendants.

The plaintiffs filed two motions for partial summary judgment (as to liability only), and the State filed a motion to dismiss and a motion for summary judgment against the claims of the plaintiffs as well as the ERS' trustees. The State's motion to dismiss was denied in an order filed on May 16, 2003. An order granting summary judgment in favor of the State and against all of the claims of the plaintiffs and ERS trustees, and denying the plaintiffs' two motions, and a final judgment were entered on June 24, 2003. The county intervenor defendants filed a motion to alter or amend the order and judgment on June 27, 2003. By court rule, the motion was deemed denied on September 25, 2003, and notices of appeal from the June 24, 2003 order and judgment were filed by the plaintiffs and the ERS trustees on October 27, 2003. The State cross appealed the order denying its motion to dismiss on November 7, 2003. On December 10, 2003, the circuit court entered an order granting the county intervenor defendants motion to alter or amend the June 24, 2003 order and judgment, and filed an amended summary judgment order and an amended final judgment. The plaintiffs and the ERS trustees filed notices of appeal from the amended order and amended judgment on December 23, 2003. The appeals from the amended order and amended judgment were dismissed on April 30, 2004.

In a 3-2 decision filed on July 23, 2007, the Hawaii Supreme Court vacated the June 24, 2003 order and judgment, and remanded the case to the circuit court with instructions to (1) enter an order dismissing the plaintiffs' claims for lack of jurisdiction, (2) enter summary judgment against the State and in favor of the ERS' trustees on the trustees' declaratory judgment claim that Act 100 violated Article XVI, Section 2 of the Hawaii Constitution, and (3) dispose of the ERS' trustees' other claims for declaratory relief appropriately. In concluding that Act 100 was unconstitutional, the majority held that "necessarily implied in Article XVI, Section 2 [of the Hawaii Constitution] prohibiting impairment of accrued benefits is the protection of the sources of those benefits;…Act 100 retroactively divested the ERS of $346.9 million of employer

contributions for 1997, 1998, and 1999, thereby eliminating the sources used to fund constitutionally protected 'accrued benefits'; and…Act 100 undermined the retirement systems' continuing security and integrity." "[U]nder the circumstances of th[e] case," the court declined to issue the prospective injunction the ERS' trustees sought. (In their prayer for relief, the ERS' trustees asked that "the State and its officers and agents [be enjoined] from any further skimming the ERS' investment earnings and from taking any other or further action that (a) will diminish, impair or otherwise obligate the ERS' actuarial investment earnings; or (b) will reduce the Employers' periodic contributions as determined by the Board's actuary in accordance with the Chapter 88 and sound actuarial practice; or (c) otherwise will impair the contractual rights of the members.") The case is again before the circuit court to fashion the order the Supreme Court directed the circuit court to enter, and, if necessary, to address the ERS' trustees' remaining declaratory judgment claims.

Hawaii Employer-Union Health Benefits Trust Fund

In June 2006, certain retired public employees ("Plaintiffs") filed a class action lawsuit in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the EUTF, and the EUTF Board of Trustees (collectively, the "Defendants"). See Marion Everson, et al. v. State of Hawaii, et al., Civil No. 06-1-1141-06, First Circuit Court, State of Hawaii. In relevant part, Plaintiffs claimed that Defendants violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing health care benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents.

Following a related proceeding that commenced in 2007, the Hawaii Supreme Court held that health benefits for retired state and county employees constitute "accrued benefits" pursuant to Article XVI, Section 2 of the Hawaii Constitution, but that HRS Chapter 87A (particularly HRS Section 87A-23) did not require that retiree health benefits reasonably approximate those provided to active employees. See Everson v. State, 122 Hawai'i 401, P.3d 282 (2010). The Hawaii Supreme Court did not decide when retiree health benefits "accrued" so as to be protected under Article XVI, Section 2 of the Hawaii Constitution nor did it decide whether the enactment of any part of HRS Chapter 87A violated Article XVI, Section 2 of the Hawaii Constitution.

In December 2010, Plaintiffs filed a Second Amended Complaint in Civil No. 06-1-1140-06 (nka James Dannenberg, et al. v. State of Hawaii, et al.) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) health care benefits that are equivalent to those provided to State and county active employees; and/or (b) health care benefits that are equivalent to benefits provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the contribution caps in Sections 87A-33 through 87A-36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory, and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for health care because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for health care that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. On August 29, 2013, the First Circuit Court entered an Order Granting Plaintiffs' Motion for

Class Action Certification. The class certified is all employees (and their dependent-beneficiaries) who began working for the Territory of Hawaii, State of Hawaii, or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to post-retirement health benefits as a retiree or dependent-beneficiary of such a retiree. This includes: (a) those who have not yet received any post-retirement health benefits from Defendants as a retiree or dependent-beneficiary of such a retiree; and (b) those who have received any post-retirement benefits from Defendants since July 1, 2003 as a retiree or dependent-beneficiary of such a retiree. For purposes of damages only, if any, the class shall also include the estates and heirs of any deceased retiree or deceased dependent-beneficiary of a retiree who is or was a member of the class. On December 10, 2012, Plaintiff filed Plaintiffs' Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants' Motion for Partial Summary Judgment seeking judgment in their favor and against Plaintiffs on all of Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual, and statutory rights of Plaintiffs by not providing health care benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of Plaintiffs by not providing health care benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were scheduled to be heard by the First Circuit Court on October 30, 2013. The Court advised the parties that it would issue a decision after further review of the parties' memoranda, declarations, and exhibits. The parties are currently waiting for the Court's decision on the motions.

Department of Education

Consolidated class action cases have been brought against the State Department of Education (DOE) on behalf of substitute teachers alleging that the DOE has failed to pay substitute teachers in accordance with the rate provided in the Hawaii Revised Statutes from July 1, 1996 – June 30, 2005.

An adverse ruling against the State was made by the First Circuit Court on a motion for summary judgment regarding liability issues. The adverse ruling was the subject of an interlocutory appeal to the Intermediate Court of Appeals, which issued its ruling on October 30, 2009, affirming the adverse ruling. The Supreme Court denied certiorari on August 16, 2010 and the case was remanded to the Circuit Court for a determination of damages.

In November 2013, a partial settlement agreement was reached whereby the State agreed to pay $14,031,000 to resolve the claims for backpay (mandatory fringe benefits). The claims for pre-judgment interest and attorneys' fees remain to be determined. The partial settlement agreement amount was appropriated by the 2013 Legislature.

13. RISK MANAGEMENT

The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past three fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3.0% of loss subject to a $1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is $225,000,000, except for flood and earthquake, which individually is a $225,000,000 aggregate loss and terrorism, which is $50,000,000 per occurrence and a $25,000 deductible.

The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence, except for claims expense coverage, which has a $100,000 limit per occurrence and a $1,000 deductible. Losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)

Claims under $10,000 are handled by the DAGS risk management office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a $4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is $15,000,000 and for crime loss, $10,000,000 with no aggregate limit.

Losses under the deductible amount or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

Medical Insurance

The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy covers losses from personal injury, professional liability, patient property damage, and employee benefits. This policy covers losses up to a limit of $35,000,000 per occurrence and $39,000,000 in aggregate.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses are administered by third-party administrators. The State administers its workers' compensation losses.

Reserve for Losses and Loss Adjustment Costs

A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2013, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is

recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses will be paid from legislative appropriations of the State's General Fund. The following table represents changes in the amount of the estimated losses and the loss adjustment costs at June 30, 2013 (amounts expressed in thousands):

	2013	2012
Unpaid losses and loss adjustment costs — beginning of the fiscal year	$ 169,900	$ 153,520
Incurred losses and loss adjustment costs:		
Provision for insured events of current fiscal year	26,270	43,517
Decrease in provision for insured events of prior fiscal years	(1,159)	(487)
Total incurred losses and loss adjustment costs	25,111	43,030
Payments:		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(19,954)	(7,770)
Losses and loss adjustment costs attributable to insured events of prior fiscal years	(19,919)	(18,880)
Total payments	(39,873)	(26,650)
Unpaid losses and loss adjustment costs — end of the fiscal year	$ 155,138	$ 169,900

14. BUSINESS INTERRUPTION INSURANCE RECOVERY

During the year ended June 30, 2013, the Airports Division received a business interruption insurance recovery relating to the events of September 11, 2001, amounting to $19,000,000. This amount is reflected on a separate line item between the caption total operating expenses and operating income in the accompanying Proprietary Fund statements of revenues, expenses, and changes in fund net position.

15. SUBSEQUENT EVENTS

General Obligation Bonds

On November 21, 2013, the State issued $171,060,000 million in Tax-Exempt Refunding Bonds of 2013 Series EI, EJ, EK and EL; $29,795,000 million in Taxable General Obligation Qualified School Construction Bonds of 2013 Series EN; and $660,000,000 million in Tax-Exempt General Obligation Bonds of 2013 Series EM and EH. Series EH, EM, and EN were issued for the purpose of financing, or reimbursing the State of Hawaii for, the Hawaiian Home Lands Settlement, and the costs of acquisition, construction, extension or improvement of various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, senior housing facilities, public libraries and parks and for other public purposes. The Refunding Bond proceeds were used to advance refund outstanding General Obligation Bonds previously issued.

******

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund — Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis)

Med-Quest Special Revenue Fund — Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis)

Notes to Required Supplementary Information — Budgetary Control

Schedules of Funding Progress — EUTF

Schedules of Funding Progress — HSTA VEBA

Schedules of Funding Progress — UH

STATE OF HAWAII

GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:				
Taxes:				
General excise tax	$ 2,878,453	$ 2,962,446	$ 2,944,487	$ (17,959)
Net income tax:				
Corporations	56,362	56,647	100,988	44,341
Individuals	1,540,136	1,612,070	1,735,520	123,450
Inheritance and estate tax	19,600	14,421	14,886	465
Liquor permits and tax	49,558	50,219	48,962	(1,257)
Public service companies tax	126,244	155,740	163,930	8,190
Tobacco tax	124,591	103,034	94,180	(8,854)
Tax on premiums of insurance companies	115,000	122,000	131,906	9,906
Franchise tax (banks and other financial institutions)	29,788	27,848	20,673	(7,175)
Transient accommodations tax	131,399	167,963	171,556	3,593
Other taxes, primarily conveyances tax	37,089	34,449	41,206	6,757
Total taxes	5,108,220	5,306,837	5,468,294	161,457
Non-taxes:				
Interest and investment income	10,262	10,403	5,873	(4,530)
Charges for current services	251,431	252,568	252,967	399
Intergovernmental	4,577	12,918	13,708	790
Rentals	634	429	276	(153)
Fines, forfeitures, and penalties	24,293	23,556	22,343	(1,213)
Licenses and fees	5,820	6,012	6,465	453
Revenues from private sources	27,647	3,304	2,423	(881)
Debt service requirements	35,546	35,546	35,753	207
Other	177,709	270,354	381,189	110,835
Total non-taxes	537,919	615,090	720,997	105,907
Total revenues	5,646,139	5,921,927	6,189,291	267,364
EXPENDITURES:				
General government	2,063,763	2,109,101	1,984,204	124,897
Public safety	238,681	244,315	241,689	2,626
Conservation of natural resources	26,238	26,995	22,358	4,637
Health	396,261	411,595	398,196	13,399
Hospitals	82,140	88,181	84,565	3,616
Welfare	1,050,638	1,052,251	1,038,220	14,031
Lower education	1,414,215	1,416,683	1,374,663	42,020
Higher education	377,460	378,385	375,132	3,253
Other education	5,509	5,509	5,117	392
Culture and recreation	37,490	37,654	35,519	2,135
Economic development and assistance	19,200	25,883	29,031	(3,148)
Housing	15,461	15,748	14,793	955
Other	874	30,097	14,613	15,484
Total expenditures	5,727,930	5,842,397	5,618,100	224,297
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(81,791)	79,530	571,191	491,661
OTHER FINANCING SOURCES — Transfers in	17,004	41,825	45,149	3,324
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	$ (64,787)	$ 121,355	$ 616,340	$ 494,985

STATE OF HAWAII

MED-QUEST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:				
Taxes:				
Liquid fuel tax:				
Highways	$ -	$ -	$ -	$ -
Boating	-	-	-	-
Airports	-	-	-	-
Vehicle registration fee tax	-	-	-	-
State vehicle weight tax	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-
Employment and training fund assessment	-	-	-	-
General excise tax	-	-	-	-
Tobacco tax	-	-	-	-
Conveyances tax	-	-	-	-
Environmental response tax	-	-	-	-
Hospital and nursing facility tax	-	-	-	-
Transient accommodations tax	-	-	-	-
Franchise tax	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-
Total taxes	-	-	-	-
Non-taxes:				
Interest and investment income	-	-	-	-
Charges for current services	-	-	-	-
Intergovernmental	965,180	1,018,190	868,751	(149,439)
Rentals	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-
Licenses and fees	-	-	-	-
Revenues from private sources	-	-	40,501	40,501
Other	32,000	50,005	77,459	27,454
Total non-taxes	997,180	1,068,195	986,711	(81,484)
Total revenues	997,180	1,068,195	986,711	(81,484)
EXPENDITURES:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways	-	-	-	-
Conservation of natural resources	-	-	-	-
Health	-	-	-	-
Hospitals	-	-	-	-
Welfare	995,234	995,234	993,573	1,661
Lower education	-	-	-	-
Higher education	-	-	-	-
Other education	-	-	-	-
Culture and recreation	-	-	-	-
Urban redevelopment and housing	-	-	-	-
Economic development and assistance	-	-	-	-
Airports	-	-	-	-
Water transportation and terminals	-	-	-	-
Housing	-	-	-	-
Other	-	-	-	-
Total expenditures	995,234	995,234	993,573	1,661
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ 1,946	$ 72,961	$ (6,862)	$ (79,823)

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2013 and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2011–2013 biennial budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets. The Capital Projects Fund's appropriated budgets are for projects that may extend over several fiscal years.

The final legally adopted budget in the accompanying General Fund Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at DAGS. During the fiscal year ended June 30, 2013, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, the General Fund's appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund are presented in the General Fund Statement of Revenues and Expenditures — Budget and Actual (Budgetary Basis). The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which is a departure from GAAP.

STATE OF HAWAII

GENERAL FUND AND MED-QUEST SPECIAL REVENUE FUND
RECONCILIATION OF THE BUDGETARY TO GAAP BASIS
JUNE 30, 2013
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2013, follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
Excess of revenues and other sources over expenditures — actual (budgetary basis)	$ 616,340	$ (6,862)
Transfers	-	(3,147)
Excess of revenues and over expenditures — actual (budgetary basis)	616,340	(10,009)
Reserve for encumbrances at fiscal year end *	321,949	69,682
Expenditures for liquidation of prior fiscal year encumbrances	(318,281)	(51,225)
Revenues and expenditures for unbudgeted programs and capital projects accounts — net	(1,273)	-
Tax refunds payable	(31,387)	-
Accrued liabilities	(36,481)	(116,197)
Accrued revenues	66,968	105,196
Net change in fund balance — GAAP basis	$ 617,835	$ (2,553)

* Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

STATE OF HAWAII

SCHEDULES OF FUNDING PROGRESS
(Amounts in millions)

PRIMARY GOVERNMENT:

EUTF

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ -	$ 7,192	$ 7,192	- %	$ 1,782	403.6 %
July 1, 2009	-	11,523	11,523	-	1,432	804.7
July 1, 2011	-	11,706	11,706	-	2,093	559.3

HSTA-VEBA

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ -	$ 1,579	$ 1,579	- %	$ 680	232.2 %
July 1, 2009	-	2,484	2,484	-	683	363.7

UH

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ -	$ 1,136	$ 1,136	- %	$ 477	238.2 %
July 1, 2009	-	1,850	1,850	-	495	373.7
July 1, 2011	-	1,861	1,861	-	504	369.2

This page intentionally left blank

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Certain Special Revenue Funds are presented separately in the accompanying combining financial statements, with the remainder grouped as a single entity. The Special Revenue Funds are as follows:

Highways — Accounts for programs related to maintaining and operating land transportation facilities.

Natural Resources — Accounts for programs related to the conservation, development, and utilization of agriculture, aquaculture, water, land, and other natural resources of the State.

Health — Accounts for programs related to mental health, nutrition services, communicable disease, and for other public health services.

Human Services — Accounts for social service programs, which include public welfare, eligibility and disability determination, and housing assistance.

Education — Accounts for programs related to instructional education, school food services, and student driver education.

Economic Development — Accounts for programs related to the development and promotion of industry and international commerce, energy development and management, economic research and analysis, and the utilization of resources.

Employment — Accounts for programs related to employment and training, disability compensation, placement services, and occupational safety and health.

Regulatory — Accounts for programs related to consumer protection, business registration, and cable television regulation.

Hawaiian Programs — Accounts for programs related to the betterment of the conditions of native Hawaiians.

Administrative Support — Accounts for programs of certain administrative agencies.

All Other — Accounts for programs related to water recreation, inmate stores, and driver training and education.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds serviced by the General Fund and general obligation bonds and revenue bonds serviced by the Special Revenue Funds.

STATE OF HAWAII

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013
(Amounts in thousands)

	Special Revenue Funds						
	Highways	Natural Resources	Health	Human Services	Education	Economic Development	Employment
ASSETS							
CASH AND CASH EQUIVALENTS	$ 9,118	$ 6,521	$ 8,856	$ 2,483	$ 40,932	$ 1,280	$ 1,950
RECEIVABLES:							
Notes and loans — net	-	17,828	-	-	-	1,973	-
Other	-	-	-	16,700	-	-	-
DUE FROM OTHER FUNDS	-	-	-	-	-	-	-
INVESTMENTS	161,341	102,168	138,742	38,905	164,474	20,046	30,555
TOTAL	$ 170,459	$ 126,517	$ 147,598	$ 58,088	$ 205,406	$ 23,299	$ 32,505
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Vouchers and contracts payable	$ 31,945	$ 7,322	$ 11,592	$ 9,171	$ 13,281	$ 1,784	$ 4,674
Other accrued liabilities	4,679	2,369	6,945	391	12,032	705	2,165
Due to federal government	-	-	-	37,145	-	-	-
Due to other funds	-	2,152	-	16,700	-	-	-
Payable from restricted assets — matured bonds and interest payable	-	-	-	-	-	-	-
Total liabilities	36,624	11,843	18,537	63,407	25,313	2,489	6,839
FUND BALANCES:							
Restricted	-	-	-	21,791	-	-	-
Committed	-	88,474	148,684	848	-	16,637	17,300
Assigned	133,835	26,200	-	-	180,093	4,173	8,366
Unassigned	-	-	(19,623)	(27,958)	-	-	-
Total fund balances	133,835	114,674	129,061	(5,319)	180,093	20,810	25,666
TOTAL	$ 170,459	$ 126,517	$ 147,598	$ 58,088	$ 205,406	$ 23,299	$ 32,505

See accompanying notes to the basic financial statements

Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ 3,141	$ 16,785	$ 15,407	$ 2,798	$ 109,271	$ 235	$ 109,506
-	54,502	-	-	74,303	-	74,303
-	-	-	-	16,700	-	16,700
-	-	-	-	-	63	63
49,206	215,479	94,927	43,856	1,059,699	-	1,059,699
$ 52,347	$ 286,766	$ 110,334	$ 46,654	$ 1,259,973	$ 298	$ 1,260,271
$ 641	$ 9,298	$ 2,774	$ 1,177	$ 93,659	$ -	$ 93,659
1,504	454	2,610	2,635	36,489	-	36,489
-	-	-	-	37,145	-	37,145
-	-	-	1,496	20,348	-	20,348
-	-	-	-	-	235	235
2,145	9,752	5,384	5,308	187,641	235	187,876
-	-	-	-	21,791	63	21,854
39,428	120,585	54,284	-	486,240	-	486,240
10,774	156,429	50,666	41,346	611,882	-	611,882
-	-	-	-	(47,581)	-	(47,581)
50,202	277,014	104,950	41,346	1,072,332	63	1,072,395
$ 52,347	$ 286,766	$ 110,334	$ 46,654	$ 1,259,973	$ 298	$ 1,260,271

(concluded)

STATE OF HAWAII

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Special Revenue Funds						
	Highways	Natural Resources	Health	Human Services	Education	Economic Development	Employment
REVENUES:							
Taxes:							
Franchise tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other tax revenue	-	23,029	1,295	-	-	3,884	300
Transient accommodations tax	-	1,000	-	-	-	-	-
Tobacco and liquor taxes	-	-	15,777	-	-	-	-
Liquid fuel tax	85,775	250	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-	-
Vehicle weight and registration tax	116,194	-	5,411	-	-	-	-
Rental motor/tour vehicle surcharge tax	47,593	-	-	-	-	-	-
Total taxes	249,562	24,279	22,483	-	-	3,884	300
Interest and investment income	2,043	1,495	1,124	10	267	244	244
Charges for current services	3,163	28,802	53,847	646	41,911	5,411	15,958
Intergovernmental	159,257	22,903	125,209	675,402	318,482	13,930	47,012
Rentals	613	9,108	-	-	359	1,361	-
Fines, forfeitures, and penalties	2,012	59	2,047	-	-	-	1,231
Licenses and fees	2,035	549	1,069	169	695	-	-
Revenues from private sources	-	49	48,263	34	8,609	-	-
Other	9,451	7,707	779	443	19,019	231	2,831
Total revenues	428,136	94,951	254,821	676,704	389,342	25,061	67,576
EXPENDITURES:							
Current:							
General government	-	4,352	191	-	-	-	-
Public safety	-	5,388	-	-	-	-	1,913
Conservation of natural resources	-	59,609	-	-	-	-	-
Health	-	-	207,255	-	-	-	-
Welfare	-	-	-	652,811	-	-	-
Lower education	-	-	-	-	435,248	-	-
Other education	-	-	-	14,349	-	-	-
Culture and recreation	-	11,916	-	-	2,742	-	-
Urban redevelopment and housing	-	-	-	7,338	-	-	-
Economic development and assistance	-	2,740	-	-	-	26,339	62,974
Other	-	3,061	-	-	-	-	-
Highways	245,863	71	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	245,863	87,137	207,446	674,498	437,990	26,339	64,887
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	182,273	7,814	47,375	2,206	(48,648)	(1,278)	2,689
OTHER FINANCING SOURCES (USES):							
Issuance of GO and refunding GO bonds - par	-	-	-	-	-	-	-
Issuance of GO and refunding GO bonds - premium	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Transfers in	14,963	2,086	59	3,743	60,212	2,020	57
Transfers out	(202,162)	(1,243)	(26,348)	(16,259)	-	-	(328)
Total other financing (uses) sources	(187,199)	843	(26,289)	(12,516)	60,212	2,020	(271)
NET CHANGE IN FUND BALANCES	(4,926)	8,657	21,086	(10,310)	11,564	742	2,418
FUND BALANCES — Beginning of year	138,761	106,017	107,975	4,991	168,529	20,068	23,248
FUND BALANCES — End of year	$ 133,835	$ 114,674	$ 129,061	$ (5,319)	$ 180,093	$ 20,810	$ 25,666

Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
Regulatory	Hawaiian Programs	Administrative Support	All Other	Total		
$ 2,000	$ -	$ -	$ -	2,000	$ -	$ 2,000
-	-	-	-	28,508	-	28,508
-	-	-	-	1,000	-	1,000
-	-	2,148	-	17,925	-	17,925
-	-	-	1,620	87,645	-	87,645
1,679	-	-	-	1,679	-	1,679
-	-	-	-	121,605	-	121,605
-	-	-	-	47,593	-	47,593
3,679	-	2,148	1,620	307,955	-	307,955
411	6,528	533	179	13,078	-	13,078
18,503	4,559	52,339	21,878	247,017	-	247,017
4,605	3,218	19,645	54,462	1,444,125	-	1,444,125
-	12,707	960	3,249	28,357	-	28,357
6,351	57	233	2,469	14,459	-	14,459
15,237	-	20,197	423	40,374	-	40,374
1	3,000	1,757	33	61,746	-	61,746
67	11,611	2,991	4,271	59,401		59,401
48,854	41,680	100,803	88,584	2,216,512	-	2,216,512
-	-	40,426	11,845	56,814	-	56,814
41,182	-	21,984	58,928	129,395	-	129,395
-	-	210	-	59,819	-	59,819
-	-	1	-	207,256	-	207,256
-	-	11,938	549	665,298	-	665,298
-	-	1,306	-	436,554	-	436,554
-	-	-	-	14,349	-	14,349
-	-	10,355	19,457	44,470	-	44,470
-	55,573	-	-	62,911	-	62,911
33	-	47	-	92,133	-	92,133
-	-	5,778	634	9,473	-	9,473
-	2,817	44	-	248,795	-	248,795
-	-	-	-	-	687,649	687,649
41,215	58,390	92,089	91,413	2,027,267	687,649	2,714,916
7,639	(16,710)	8,714	(2,829)	189,245	(687,649)	(498,404)
-	-	-	-	-	396,990	396,990
-	-	-	-	-	106,382	106,382
-	-	-	-	-	(503,372)	(503,372)
2,701	30,000	5,390	9,278	130,509	687,648	818,157
(2,900)	(3,063)	(18,545)	(2,441)	(273,289)	-	(273,289)
(199)	26,937	(13,155)	6,837	(142,780)	687,648	544,868
7,440	10,227	(4,441)	4,008	46,465	(1)	46,464
42,762	266,787	109,391	37,338	1,025,867	64	1,025,931
$ 50,202	$ 277,014	$ 104,950	$ 41,346	$ 1,072,332	$ 63	$ 1,072,395

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL
(BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Highways			Natural Resources		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	91,371	85,775	(5,596)	230	250	20
Boating	-	-	-	-	-	-
Vehicle registration fee tax	41,683	42,291	608	-	-	-
State vehicle weight tax	66,846	73,902	7,056	-	-	-
Rental/tour vehicle surcharge tax	45,632	47,593	1,961	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	14,775	19,144	4,369
Environmental response tax	-	-	-	3,400	3,884	484
Transient accommodations tax	-	-	-	1,000	1,000	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	245,532	249,561	4,029	19,405	24,278	4,873
Non-taxes:						
Interest and investment income	5,000	134	(4,866)	1,058	850	(208)
Charges for current services	79,506	3,163	(76,343)	24,974	28,730	3,756
Intergovernmental	30,893	63,074	32,181	12,773	22,898	10,125
Rentals	-	613	613	2,876	9,108	6,232
Fines, forfeitures, and penalties	1,725	2,012	287	37	59	22
Licenses and fees	1,935	2,035	100	495	549	54
Revenues from private sources	-	-	-	-	49	49
Other	37	50,672	50,635	3,208	7,093	3,885
Total non-taxes	119,096	121,703	2,607	45,421	69,336	23,915
Total revenues	364,628	371,264	6,636	64,826	93,614	28,788
EXPENDITURES:						
General government	-	-	-	4,523	4,187	336
Public safety	-	-	-	7,864	2,306	5,558
Highways	336,974	273,345	63,629	-	-	-
Conservation of natural resources	-	-	-	101,351	64,140	37,211
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Other education	-	-	-	-	-	-
Culture and recreation	-	-	-	14,520	11,245	3,275
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	6,789	2,799	3,990
Other	1,725	1,063	662	-	-	-
Total expenditures	338,699	274,408	64,291	135,047	84,677	50,370
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 25,929	$ 96,856	$ 70,927	$ (70,221)	$ 8,937	$ 79,158

Health			Human Services		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
5,144	5,411	267	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,587	15,777	(1,810)	-	-	-
-	-	-	-	-	-
1,340	1,295	(45)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,071	22,483	(1,588)	-	-	-
345	195	(150)	-	3	3
82,962	80,494	(2,468)	-	646	646
110,235	112,377	2,142	235,154	185,965	(49,189)
-	-	-	-	-	-
1,142	2,047	905	-	-	-
2,192	1,070	(1,122)	406	169	(237)
28,354	48,263	19,909	-	34	34
254	1,088	834	-	774	774
225,484	245,534	20,050	235,560	187,591	(47,969)
249,555	268,017	18,462	235,560	187,591	(47,969)
188	185	3	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
349,712	283,387	66,325	-	-	-
-	-	-	269,872	166,487	103,385
-	-	-	-	-	-
-	-	-	22,953	14,053	8,900
-	-	-	-	-	-
-	-	-	4,201	4,077	124
-	-	-	36	-	36
-	-	-	-	-	-
349,900	283,572	66,328	297,062	184,617	112,445
$ (100,345)	$ (15,555)	$ 84,790	$ (61,502)	$ 2,974	$ 64,476

(Continued)

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Education			Economic Development		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	-	-	-	-	-	-
Boating	-	-	-	-	-	-
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	3,526	3,884	358
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	3,526	3,884	358
Non-taxes:						
Interest and investment income	217	66	(151)	122	52	(70)
Charges for current services	39,145	39,557	412	9,271	5,411	(3,860)
Intergovernmental	224,383	293,181	68,798	23,047	13,930	(9,117)
Rentals	40	359	319	2,610	1,361	(1,249)
Fines, forfeitures, and penalties	-	-	-	-	-	-
Licenses and fees	1,718	695	(1,023)	-	-	-
Revenues from private sources	370	187	(183)	250	-	(250)
Other	51,860	16,042	(35,818)	4	2,251	2,247
Total non-taxes	317,733	350,087	32,354	35,304	23,005	(12,299)
Total revenues	317,733	350,087	32,354	38,830	26,889	(11,941)
EXPENDITURES:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	570,592	334,885	235,707	-	-	-
Other education	-	-	-	-	-	-
Culture and recreation	5,044	3,429	1,615	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	81,402	27,198	54,204
Other	-	-	-	-	-	-
Total expenditures	575,636	338,314	237,322	82,502	27,198	55,304
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (257,903)	$ 11,773	$ 269,676	$ (43,672)	$ (309)	$ 43,363

Employment			Regulatory		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	300	300	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	
-	-	-	1,500	1,679	179
-	300	300	3,500	3,679	179
160	71	(89)	538	124	(414)
18,500	15,958	(2,542)	18,856	18,503	(353)
40,392	47,013	6,621	10,000	4,606	(5,394)
-	-	-	-	-	-
200	1,231	1,031	-	6,351	6,351
-	-	-	15,766	15,237	(529)
-	-	-	-	-	-
6	3,474	3,468	3,004	2,769	(235)
59,258	67,747	8,489	48,164	47,590	(574)
59,258	68,047	8,789	51,664	51,269	(395)
-	-	-	-	-	-
4,472	1,913	2,559	73,366	44,143	29,223
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
130,298	63,195	67,103	59	33	26
-	-	-	-	-	-
134,770	65,108	69,662	73,425	44,176	29,249
$ (75,512)	$ 2,939	$ 78,451	$ (21,761)	$ 7,093	$ 28,854

(Continued)

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL
(BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Hawaiian Programs			Administrative Support		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	-	-	-	-	-	-
Boating	-	-	-	-	-	-
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	1,752	2,148	396
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	1,752	2,148	396
Non-taxes:						
Interest and investment income	710	310	(400)	808	89	(719)
Charges for current services	1	16	15	46,399	54,904	8,505
Intergovernmental	8,000	3,218	(4,782)	20,878	19,645	(1,233)
Rentals	9,537	12,350	2,813	6,235	6,460	225
Fines, forfeitures, and penalties	-	57	57	261	233	(28)
Licenses and fees	-	-	-	17,296	20,197	2,901
Revenues from private sources	-	3,000	3,000	1,940	1,757	(183)
Other	4,660	6,551	1,891	5,864	4,720	(1,144)
Total non-taxes	22,908	25,502	2,594	99,681	108,005	8,324
Total revenues	22,908	25,502	2,594	101,433	110,153	8,720
EXPENDITURES:						
General government	-	-	-	86,710	52,090	34,620
Public safety	-	-	-	25,532	18,990	6,542
Highways	-	-	-	568	555	13
Conservation of natural resources	-	-	-	336	19	317
Health	-	-	-	-	-	-
Welfare	-	-	-	15,463	11,238	4,225
Lower education	-	-	-	1,500	1,307	193
Other education	-	-	-	-	-	-
Culture and recreation	-	-	-	14,473	11,055	3,418
Urban redevelopment and housing	43,532	21,787	21,745	-	-	-
Economic development and assistance	-	-	-	45	45	-
Other	-	-	-	22,507	5,785	16,722
Total expenditures	43,532	21,787	21,745	167,134	101,084	66,050
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (20,624)	$ 3,715	$ 24,339	$ (65,701)	$ 9,069	$ 74,770

All Other			Total Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	91,601	86,025	(5,576)
1,600	1,621	21	1,600	1,621	21
-	-	-	46,827	47,702	875
-	-	-	66,846	73,902	7,056
-	-	-	45,632	47,593	1,961
-	-	-	-	300	300
-	-	-	19,339	17,925	(1,414)
-	-	-	14,775	19,144	4,369
-	-	-	8,266	9,063	797
-	-	-	1,000	1,000	-
-	-	-	2,000	2,000	-
-	-	-	1,500	1,679	179
1,600	1,621	21	299,386	307,954	8,568
345	64	(281)	9,303	1,958	(7,345)
18,718	21,878	3,160	338,332	269,260	(69,072)
31,376	54,461	23,085	747,131	820,368	73,237
2,000	3,249	1,249	23,298	33,500	10,202
2,628	2,470	(158)	5,993	14,460	8,467
512	423	(89)	40,320	40,375	55
30	34	4	30,944	53,324	22,380
7,833	12,809	4,976	76,730	108,243	31,513
63,442	95,388	31,946	1,272,051	1,341,488	69,437
65,042	97,009	31,967	1,571,437	1,649,442	78,005
18,486	14,661	3,825	109,907	71,123	38,784
116,130	66,793	49,337	228,464	134,145	94,319
-	-	-	337,542	273,900	63,642
-	-	-	101,687	64,159	37,528
-	-	-	349,712	283,387	66,325
550	549	1	285,885	178,274	107,611
-	-	-	572,092	336,192	235,900
-	-	-	22,953	14,053	8,900
19,135	13,841	5,294	53,172	39,570	13,602
-	-	-	47,733	25,864	21,869
-	-	-	218,629	93,270	125,359
-	-	-	24,232	6,848	17,384
154,301	95,844	58,457	2,352,008	1,520,785	831,223
$ (89,259)	$ 1,165	$ 90,424	$ (780,571)	$ 128,657	$ 909,228

(Concluded)

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
RECONCILIATION OF THE BUDGETARY TO GAAP BASIS
JUNE 30, 2013
(Amounts in thousands)

EXCESS OF REVENUES OVER EXPENDITURES — Actual (budgetary basis)	$	128,657
RESERVE FOR ENCUMBRANCES AT YEAR-END*		287,081
EXPENDITURES FOR LIQUIDATION OF PRIOR FISCAL YEAR ENCUMBRANCES		(372,032)
EXPENDITURES FOR UNBUDGETED PROGRAMS, PRINCIPALLY EXPENDITURES FOR CAPITAL PROJECTS ACCOUNTS AND REVOLVING FUNDS		(46,440)
EXPENDITURES FOR DEBT SERVICE PAID OUT OF OTHER GOVERNMENTAL FUNDS		(687,649)
TRANSFERS		170,418
ACCRUED LIABILITIES		(498,835)
ACCRUED REVENUES		520,396
DEFICIENCY OF REVENUES UNDER EXPENDITURES — GAAP basis	$	(498,404)

* Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF FUND NET POSITION
JUNE 30, 2013
(Amounts in thousands)

ASSETS	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
CURRENT ASSETS:				
Cash and cash equivalents	$ 12,669	$ 148,844	$ 64,924	$ 226,437
Receivables:				
Accounts and accrued interest (net of allowance for doubtful accounts of $0)	44	599	104	747
Promissory note receivable (net of allowance for doubtful accounts of $0)	-	26,199	4,364	30,563
Federal government		102	492	594
Premiums	67,896	-	-	67,896
Other	2,849	281	629	3,759
Prepaid expenses and other assets	5,355	-	-	5,355
Total current assets	88,813	176,025	70,513	335,351
CAPITAL ASSETS - Equipment	9,956	78	1,237	11,271
	9,956	78	1,237	11,271
Less accumulated depreciation	(5,149)	(51)	(1,052)	(6,252)
Net capital assets	4,807	27	185	5,019
Promissory note receivable	-	279,296	56,973	336,269
Other	-	12,198	-	12,198
Total noncurrent assets	4,807	291,521	57,158	353,486
TOTAL ASSETS	$ 93,620	$ 467,546	$ 127,671	$ 688,837

(Continued)

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF FUND NET POSITION
JUNE 30, 2013
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
LIABILITIES				
CURRENT LIABILITIES:				
Vouchers and contracts payable	$ 191	$ 102	$ 325	$ 618
Other accrued liabilities	1,811	-	-	1,811
Accrued vacation, current portion	66	60	24	150
Benefits claims payable	2,665	-	-	2,665
Premiums payable	35,771	-	-	35,771
Total current liabilities	40,504	162	349	41,015
NONCURRENT LIABILITIES:				
Accrued vacation	205	213	133	551
Other postemployment benefit liability	1,476	1,124	490	3,090
TOTAL	42,185	1,499	972	44,656
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	4,807	27	185	5,019
RESTRICTED FOR BOND REQUIREMENTS AND OTHER	-	466,020	126,514	592,534
UNRESTRICTED	46,628	-	-	46,628
TOTAL NET POSITION	$ 51,435	$ 466,047	$ 126,699	$ 644,181

See accompanying notes to the basic financial statements (Concluded)

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
OPERATING REVENUES:				
Administrative fees	$ 5,821	$ 1,838	$ 2,228	$ 9,887
Premium revenue — self insurance	50,843	-	-	50,843
Increase in premium reserves	39,540	-	-	39,540
Other	208	2,479	226	2,913
Total operating revenues	96,412	4,317	2,454	103,183
OPERATING EXPENSES:				
Personnel services	2,741	1,743	1,053	5,537
Depreciation	1,375	10	84	1,469
Repairs and maintenance	9	-	70	79
General administration	2,403	161	1,384	3,948
Claims	46,819	-	-	46,819
Other	24	10	19	53
Total operating expenses	53,371	1,924	2,610	57,905
Operating income (loss)	43,041	2,393	(156)	45,278
NONOPERATING REVENUES (EXPENSE):				
Interest and investment income	409	1,346	299	2,054
Other	-	(1,000)	(7,214)	(8,214)
Total nonoperating revenues (expenses)	409	346	(6,915)	(6,160)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	43,450	2,739	(7,071)	39,118
CAPITAL CONTRIBUTIONS:	-	22,114	7,465	29,579
CHANGE IN NET POSITION	43,450	24,853	394	68,697
NET POSITION — Beginning of year	7,985	441,194	126,305	575,484
NET POSITION — End of year	$ 51,435	$ 466,047	$ 126,699	$ 644,181

See accompanying notes to the basic financial statements

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from employer and employee for premium and benefit payments	$ 487,681	$ -	$ -	$ 487,681
Cash paid to suppliers	(2,757)	(149)	(1,352)	(4,258)
Cash paid to employees	(2,282)	(1,466)	(863)	(4,611)
Cash paid for premiums and benefit payments	(486,285)	-	-	(486,285)
Reserves returned by insurance carriers	15,914	-	-	15,914
Interest income from notes receivable	-	2,662	230	2,892
Administrative loan fees	-	1,962	2,283	4,245
Principal repayments on notes receivable	-	46,523	15,132	61,655
Disbursement of notes receivable proceeds	-	(28,536)	(3,316)	(31,852)
Net cash provided by operating activities	12,271	20,996	12,114	45,381
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State capital contributions	-	3,157	2,715	5,872
Proceeds from federal operating grants	-	18,856	4,497	23,353
Disbursement of federal operating grants	-	(2,581)	(368)	(2,949)
Net cash provided by noncapital financing activities	-	19,432	6,844	26,276
CASH FLOWS FROM INVESTING ACTIVITIES — Interest from and change in fair value of investments	398	1,308	282	1,988
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,669	41,736	19,240	73,645
CASH AND CASH EQUIVALENTS — Including restricted amounts — beginning of year	-	107,108	45,684	152,792
CASH AND CASH EQUIVALENTS — Including restricted amounts — end of year	$ 12,669	$ 148,844	$ 64,924	$ 226,437

(Continued)

COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	$ 43,041	$ 2,393	$ (156)	$ 45,278
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	1,375	10	84	1,469
Premium reserves held by insurance companies	(36,405)	-	-	(36,405)
Principal forgiveness of loan	-	(1,000)	-	(1,000)
Decrease (increase) in assets:				
Receivables	550	19,294	11,876	31,720
Deposits	11,456	-	-	11,456
Prepaid expenses and other assets	(101)	-	-	(101)
Increase in liabilities:				
Vouchers and contracts payable	(240)	19	148	(73)
Other accrued liabilities	(2,584)	280	162	(2,142)
Benefits claim payable	(4,821)	-	-	(4,821)
Net cash provided by operating activities	$ 12,271	$ 20,996	$ 12,114	$ 45,381

(Concluded)

STATE OF HAWAII

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION — AGENCY FUNDS
JUNE 30, 2013
(Amounts in thousands)

	Agency Funds			Total Agency Funds
	Tax Collections	Custodial	Other	
ASSETS				
CASH AND CASH EQUIVALENTS	$ 2,137	$ 208,917	$ 5,629	$ 216,683
RECEIVABLES — taxes	-	-	39,078	39,078
INVESTMENTS	33,479	279,636	82,856	395,971
OTHER ASSETS — primarily due from individuals, businesses, and counties	(26,506)	58,159	-	31,653
TOTAL ASSETS	$ 9,110	$ 546,712	$ 127,563	$ 683,385
LIABILITIES				
VOUCHERS PAYABLE	$ 9,110	$ 7	$ 597	$ 9,714
DUE TO INDIVIDUALS, BUSINESSES, AND COUNTIES	-	546,705	126,966	673,671
TOTAL LIABILITIES	$ 9,110	$ 546,712	$ 127,563	$ 683,385

STATE OF HAWAII

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES — AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Amounts in thousands)

	Balance — July 1, 2012	Additions	Deductions	Balance — June 30, 2013
TAX COLLECTIONS:				
Assets:				
Cash and cash equivalents	$ 5,541	$ 7,551,805	$ (7,555,209)	$ 2,137
Due from individuals, businesses, and counties	46,169	7,479,130	(7,551,805)	(26,506)
Investments	6,772	33,479	(6,772)	33,479
Total assets	$ 58,482	$ 15,064,414	$ (15,113,786)	$ 9,110
Liabilities:				
Vouchers payable	$ 58,482	$ 9,110	$ (58,482)	$ 9,110
Due to individuals, businesses, and counties	-	-	-	-
Total liabilities	$ 58,482	$ 9,110	$ (58,482)	$ 9,110
CUSTODIAL:				
Assets:				
Cash and cash equivalents	$ 443,341	$ 4,622,936	$ (4,857,360)	$ 208,917
Due from individuals, businesses, and counties	48,378	465,867	(456,086)	58,159
Investments	42,660	279,636	(42,660)	279,636
Total assets	$ 534,379	$ 5,368,439	$ (5,356,106)	$ 546,712
Liabilities:				
Vouchers payable	$ 74	$ 7	$ (74)	$ 7
Due to individuals, businesses, and counties	534,305	4,385,782	(4,373,382)	546,705
Total liabilities	$ 534,379	$ 4,385,789	$ (4,373,456)	$ 546,712
OTHER:				
Assets:				
Cash and cash equivalents	$ 29,582	$ 42,516	$ (66,469)	$ 5,629
Receivables	33,444	39,078	(33,444)	39,078
Investments	43,100	82,856	(43,100)	82,856
Total assets	$ 106,126	$ 164,450	$ (143,013)	$ 127,563
Liabilities:				
Vouchers payable	$ 65	$ 597	$ (65)	$ 597
Due to individuals, businesses, and counties	106,061	48,150	(27,245)	126,966
Total liabilities	$ 106,126	$ 48,747	$ (27,310)	$ 127,563
TOTAL — All agency funds:				
Assets:				
Cash and cash equivalents	$ 478,464	$ 12,217,257	$ (12,479,038)	$ 216,683
Receivables	33,444	39,078	(33,444)	39,078
Due from individuals, businesses, and counties	94,547	7,944,997	(8,007,891)	31,653
Investments	92,532	395,971	(92,532)	395,971
Total assets	$ 698,987	$ 20,597,303	$ (20,612,905)	$ 683,385
Liabilities:				
Vouchers payable	$ 58,621	$ 9,714	$ (58,621)	$ 9,714
Due to individuals, businesses, and counties	640,366	4,433,932	(4,400,627)	673,671
Total liabilities	$ 698,987	$ 4,443,646	$ (4,459,248)	$ 683,385

PART III: STATISTICAL SECTION

STATISTICAL SECTION ("UNAUDITED")

This Part of the State's comprehensive annual financial report presents detailed information as a context for understanding the information in the basic financial statements, note disclosures, and required supplementary information on the State's overall financial health.

Contents	**Page**
Financial Trends: These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	136
Revenue Capacity: These schedules contain information to help the reader assess the State's most significant local revenue sources, the general excise tax, and net income tax.	140
Debt Capacity: These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	144
Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	148
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services provided and the activities performed by the State.	151

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement No. 34 in 2002; schedules presenting Government-Wide information include information beginning in that year.

STATE OF HAWAII

NET POSITION BY COMPONENT (ACCRUAL BASIS OF ACCOUNTING)
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Governmental Activities:					
Net investment in capital assets	$ 2,863,379	$ 2,794,481	$ 3,326,245	$ 3,118,606	$ 3,298,144
Restricted	1,051,548	930,294	917,730	655,238	641,031
Unrestricted	(2,669,391)	(2,394,874)	(2,384,187)	(1,306,716)	(471,543)
Total governmental activities net assets	$ 1,245,536	$ 1,329,901	$ 1,859,788	$ 2,467,128	$ 3,467,632
Business-Type Activities:					
Net investment in capital assets	$ 1,599,483	$ 1,560,267	$ 1,476,136	$ 1,469,676	$ 1,527,018
Restricted	1,068,146	966,042	956,894	922,846	782,569
Unrestricted	899,740	649,583	579,383	493,163	597,624
Total business-type activities net assets	$ 3,567,369	$ 3,175,892	$ 3,012,413	$ 2,885,685	$ 2,907,211
Primary Government:					
Net investment in capital assets	$ 4,462,862	$ 4,354,748	$ 4,802,381	$ 4,588,282	$ 4,825,162
Restricted	2,119,694	1,896,336	1,874,624	1,578,084	1,423,600
Unrestricted	(1,769,651)	(1,745,291)	(1,804,804)	(813,553)	126,081
Total primary government net position	$ 4,812,905	$ 4,505,793	$ 4,872,201	$ 5,352,813	$ 6,374,843

STATE OF HAWAII

CHANGES IN NET POSITION (ACCRUAL BASIS OF ACCOUNTING)
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Expenses:					
Governmental activities:					
General government	$ 531,839	$ 552,788	$ 535,434	$ 421,327	$ 564,356
Public safety	451,946	502,002	471,459	538,110	464,897
Highways	490,091	516,924	450,548	466,322	487,391
Conservation of natural resources	52,208	96,349	89,021	81,561	119,705
Health	813,190	773,288	816,525	858,476	843,826
Welfare	2,798,053	2,464,582	2,553,829	2,348,190	2,140,202
Lower education	2,592,125	2,598,444	2,545,980	2,616,768	2,656,592
Higher education	654,611	672,716	707,381	700,335	878,126
Other education	20,086	16,753	14,018	14,034	29,935
Culture and recreation	94,679	111,628	108,697	108,247	106,583
Urban redevelopment and housing	173,677	23,888	66,144	101,505	145,710
Economic development and assistance	172,602	209,460	238,315	209,611	158,808
Interest expense	241,677	243,938	239,836	210,243	127,576
Total governmental activities expenses	9,086,784	8,782,760	8,837,187	8,674,729	8,723,707
Business-type activities:					
Airports	366,918	353,541	354,368	336,127	347,089
Harbors	90,548	84,826	80,355	68,291	124,611
Unemployment compensation	336,931	468,610	561,548	686,141	437,553
Nonmajor proprietary fund	66,119	169,166	250,346	256,205	38,672
Total business-type activities expenses	860,516	1,076,143	1,246,617	1,346,764	947,925
Total Primary Government Expenses	$ 9,947,300	$ 9,858,903	$ 10,083,804	$ 10,021,493	$ 9,671,632
Program Revenues:					
Governmental activities					
Charges for services:					
General government	$ 267,081	$ 266,878	$ 270,078	$ 231,629	$ 206,431
Health	56,963	32,339	46,215	98,547	99,788
Other	170,603	121,928	112,479	111,295	119,126
Operating grants and contributions	2,589,537	2,370,437	2,837,464	2,598,141	2,260,551
Capital grants and contributions	96,184	97,322	132,825	144,445	145,771
Total governmental activities program revenues	3,180,368	2,888,904	3,399,061	3,184,057	2,831,667
Business-type activities					
Charges for services:					
Airports	431,708	343,279	387,484	324,577	290,464
Unemployment Compensation	507,096	533,963	535,243	486,476	169,976
Others	215,243	272,317	341,707	344,889	84,692
Capital grants and contributions	64,313	85,899	75,324	98,099	103,195
Total business-type activities program revenues	1,218,360	1,235,458	1,339,758	1,254,041	648,327
Total Primary Government Program Revenues	$ 4,398,728	$ 4,124,362	$ 4,738,819	$ 4,438,098	$ 3,479,994
Net (Expense) Revenue:					
Governmental activities	$ (5,906,416)	$ (5,893,856)	$ (5,438,126)	$ (5,490,672)	$ (5,892,040)
Business-type activities	357,844	159,315	93,141	(92,723)	(299,598)
Total Primary Government Net Expenses	$ (5,548,572)	$ (5,734,541)	$ (5,344,985)	$ (5,583,395)	$ (6,191,638)
General Revenues and Other Changes in Net Position:					
Governmental activities					
Taxes:					
General excise tax	$ 2,991,792	$ 2,774,636	$ 2,507,980	$ 2,279,310	$ 2,410,756
Net income tax — corporations and individuals	1,795,683	1,633,085	1,477,624	1,408,965	1,366,576
Public service companies tax	163,930	150,528	117,940	157,661	126,069
Transient accommodations tax	186,377	138,529	60,839	32,635	14,408
Tobacco and liquor taxes	161,066	170,824	173,851	149,596	135,388
Liquid fuel tax	87,645	88,842	91,265	82,780	88,006
Tax on premiums of insurance companies	133,585	119,472	140,586	105,848	95,181
Vehicle weight and registration tax	121,605	98,187	59,476	58,659	59,392
Rental motor/tour vehicle surcharge tax	52,112	106,417	43,892	40,401	39,751
Franchise tax	22,673	7,229	33,682	20,666	28,075
Others	80,081	70,873	67,799	32,165	19,215
Interest and investment income	25,502	5,347	55,852	124,516	(42,051)
Other	-	-	-	(3,034)	305
Total governmental activities	5,822,051	5,363,969	4,830,786	4,490,168	4,341,071
Business-type activities:					
Interest and investment income	14,633	4,164	33,587	68,950	4,639
Other	19,000	-	-	-	-
Total business-type activities	33,633	4,164	33,587	68,950	4,639
Total Primary Government	$ 5,855,684	$ 5,368,133	$ 4,864,373	$ 4,559,118	$ 4,345,710
Changes in Net Position:					
Governmental activities	$ (84,365)	$ (529,887)	$ (607,340)	$ (1,000,504)	$ (1,550,969)
Business-type activities	391,477	163,479	126,728	(23,773)	(294,959)
Total Primary Government	$ 307,112	$ (366,408)	$ (480,612)	$ (1,024,277)	$ (1,845,928)

STATE OF HAWAII

FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
General Fund:					
Reserved	N/A	N/A	N/A	$ 243,485	$ 272,557
Unreserved	N/A	N/A	N/A	(210,551)	(87,537)
Total General Fund	N/A	N/A	N/A	$ 32,934	$ 185,020
All Other Governmental Funds:					
Reserved	N/A	N/A	N/A	$ 2,275,968	$ 2,801,012
Unreserved, reported in:					
Capital Projects Fund	N/A	N/A	N/A	(1,651,855)	(2,019,696)
Special Revenue Funds	N/A	N/A	N/A	293,625	255,844
Total All Other Governmental Funds	N/A	N/A	N/A	$ 917,738	$ 1,037,160
General Fund (Under GASB 54):					
Assigned Fund Balance	$ 271,020	$ 236,779	$ 210,164	N/A	N/A
Unassigned Fund Balance	1,154,253	570,659	346,882	N/A	N/A
Total General Fund	$ 1,425,273	$ 807,438	$ 557,046	N/A	N/A
All Other Governmental Funds (Under GASB 54):					
Restricted Fund Balance	$ 21,854	$ 109	$ 21,582	N/A	N/A
Committed Fund Balance	486,240	518,374	600,125	N/A	N/A
Assigned Fund Balance	612,762	532,466	339,337	N/A	N/A
Unassigned Fund Balance	$ (611,097)	(408,575)	(766,665)	N/A	N/A
Total All Other Governmental Funds	$ 509,759	$ 642,374	$ 194,379	N/A	N/A

Note: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund balance has not been restated for prior years.

STATE OF HAWAII

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Revenues:					
Taxes:					
General excise tax	$ 2,991,792	$ 2,774,636	$ 2,507,980	$ 2,279,310	$ 2,410,756
Net income tax — corporations and individuals	1,804,409	1,633,412	1,473,188	1,408,965	1,373,893
Public service companies tax	163,930	150,528	117,940	157,661	126,069
Transient accommodations tax	186,377	138,529	60,839	32,635	14,408
Tobacco and liquor taxes	161,066	170,824	173,851	149,596	135,388
Liquid fuel tax	87,645	88,842	91,265	82,780	88,006
Tax on premiums of insurance companies	133,585	119,472	140,586	105,848	95,181
Vehicle weight and registration tax	121,605	98,187	59,476	58,659	59,392
Rental motor/tour vehicle surcharge tax	52,112	106,417	43,892	40,401	39,751
Franchise tax	22,673	7,229	33,682	20,666	28,075
Other	80,079	70,873	67,799	32,165	19,215
Total taxes	5,805,273	5,358,949	4,770,498	4,368,686	4,390,134
Interest and investment income (loss)	25,502	5,347	55,854	124,518	(42,051)
Charges for current services	369,269	337,765	348,108	364,893	357,078
Intergovernmental	2,372,480	2,238,639	2,567,266	2,432,369	2,090,058
Rentals	28,633	25,421	23,319	19,712	21,107
Fines, forfeitures, and penalties	36,802	35,083	34,712	35,982	33,888
Licenses and fees	46,839	46,390	41,557	36,641	33,324
Revenues from private sources	104,670	65,085	54,857	57,850	63,401
Other	235,516	152,091	343,318	182,367	246,369
Total revenues	9,024,984	8,264,770	8,239,489	7,623,018	7,193,308
Expenditures:					
Current:					
General government	408,538	487,596	487,848	436,290	597,210
Public safety	432,024	454,957	423,716	457,058	435,414
Highways	418,991	414,629	376,780	442,971	442,421
Conservation of natural resources	92,601	98,428	93,600	88,873	120,693
Health	779,755	729,841	757,482	801,923	798,026
Welfare	2,773,241	2,443,936	2,526,743	2,315,726	2,119,481
Lower education	2,358,763	2,330,130	2,208,303	2,325,066	2,454,668
Higher education	654,611	672,716	707,380	700,335	878,127
Other education	20,086	16,753	14,018	14,033	29,912
Culture and recreation	107,940	109,974	117,306	108,536	107,302
Urban redevelopment and housing	66,243	48,484	73,789	115,796	179,819
Economic development and assistance	157,468	147,445	158,104	166,320	169,547
Housing	112,614	46,133	61,352	24,153	1,909
Other	32,716	12,108	12,223	4,460	1,175
Debt service					
Principal	399,382	313,721	191,244	179,624	204,604
Interest and others	288,267	274,039	266,737	248,551	197,118
Total Expenditures	9,103,240	8,600,890	8,476,625	8,429,715	8,737,426
Deficiency of Revenues Over Expenditures	(78,256)	(336,120)	(237,136)	(806,697)	(1,544,118)
Other Financing Sources (Uses):					
Proceeds from borrowing and refunding	1,066,848	1,600,308	-	1,150,482	1,174,768
Payments to escrow agent	(503,372)	(565,801)	-	(619,708)	(349,697)
Transfers in	1,033,917	950,717	921,433	721,810	761,393
Transfers out	(1,033,917)	(950,717)	(921,433)	(721,810)	(761,393)
Other	-	-	37,889	4,415	-
Total Other Financing Sources	563,476	1,034,507	37,889	535,189	825,071
Net Change in Fund Balances	$ 485,220	$ 698,387	$ (199,247)	$ (271,508)	$ (719,047)

STATE OF HAWAII

PERSONAL INCOME BY INDUSTRY
LAST TEN FISCAL YEARS
(Amounts in millions)

	For the Fiscal Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Farm Earnings	$ 243	$ 288	$ 288	$ 250	$ 232	$ 220	$ 213	$ 210	$ 213	$ 221
Nonfarm Wage and Salary Workers										
Goods-producing industries:										
Forestry, fishing-related activities, and other	60	60	42	45	36	47	42	53	54	56
Mining	39	35	33	51	44	45	55	53	50	45
Construction	3,236	3,046	2,843	2,598	2,714	3,271	3,188	3,004	2,736	2,231
Manufacturing – durable and nondurable goods	804	767	768	766	807	874	1,003	1,000	916	887
Subtotal Goods-Producing Industries	4,139	3,908	3,686	3,460	3,601	4,237	4,288	4,110	3,756	3,219
Service-producing industries										
Transportation, communication, and utilities	2,178	1,889	1,783	1,718	1,714	1,826	1,926	1,831	1,760	1,631
Trade	3,929	3,768	3,666	3,651	3,636	3,817	3,654	3,540	3,366	3,151
Information	692	645	711	732	657	711	759	758	690	694
Finance, insurance, and real estate	2,752	2,329	2,081	2,014	2,044	2,126	2,311	2,367	2,308	2,155
Service	16,423	15,438	15,075	14,901	14,514	14,723	13,611	13,013	12,226	11,592
State and local government	5,873	5,425	5,327	5,609	5,609	5,372	5,023	4,747	4,443	4,101
Federal government	8,507	10,094	9,531	9,252	9,077	8,258	7,745	7,249	6,751	6,280
Subtotal Service-Producing Industries	40,354	39,588	38,174	37,877	37,251	36,833	35,029	33,505	31,544	29,604
Total Nonfarm Wage and Salary Workers	44,493	43,496	41,860	41,337	40,852	41,070	39,317	37,615	35,300	32,823
Other(1)	18,473	16,144	15,981	14,661	13,329	12,891	10,601	9,514	8,598	7,984
Total Personal Income	$ 63,209	$ 59,928	$ 58,129	$ 56,248	$ 54,413	$ 54,181	$ 50,131	$ 47,339	$ 44,111	$ 41,028
Total direct income tax rate(2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.
(2) The total direct rate for personal income is not available.
Source: State of Hawaii Department of Business, Economic Development and Tourism — Data Book and Quarterly Statistical and Economic Report (QSER)
N/A Not available.

STATE OF HAWAII

PERSONAL INCOME TAX RATES
LAST SIX CALENDAR YEARS

	Top Income Tax Rate is Applied to Taxable Income in Excess of					
Year	Top Rate	Single	Top Rate	Married Filing Jointly	Top Rate	Head of Household
2013	11.00% + $16,379	$ 200,000	11.00% + $32,757	$ 400,000	11.00% + $24,568	$300,000
2012	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2011	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2010	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2009	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2008	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000

Source: State of Hawaii, Department of Taxation.

STATE OF HAWAII

TAXABLE SALES BY INDUSTRY
LAST FIVE FISCAL YEARS
(Amounts in millions)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Taxable Sales by Activities:					
Retailing	$ 29,636	$ 29,095	$ 25,887	$ 23,919	$ 24,318
Services	12,985	12,696	11,944	11,154	11,059
Contracting	7,547	6,253	5,687	5,864	7,631
Hotel rentals	3,871	3,431	3,024	2,606	2,812
All other rentals	6,377	6,154	5,999	5,778	6,094
All other (4%)	5,337	5,160	4,825	4,360	4,375
Subtotal	65,753	62,789	57,366	53,681	56,289
Producing	399	401	370	340	405
Manufacturing	639	681	698	704	809
Wholesaling	14,430	14,442	13,121	12,207	12,502
Use (0.5%)	8,867	8,005	6,669	6,430	6,883
Services (Intermediary)	628	653	577	572	611
Insurance solicitors	464	477	480	502	535
Subtotal	25,427	24,659	21,915	20,755	21,745
Total All Activities	$ 91,180	$ 87,448	$ 79,281	$ 74,436	$ 78,034

General excise and use tax is imposed on the gross income received by the business as follows:

- 4% of sales of tangible personal tangible property, services, contracting, theater amusement and broadcasting, commissions, transient accommodations rentals, other rentals, interest, and other business activities;
- 0.5% of sales from wholesaling, manufacturing, producing, wholesale services, and imports for resale;
- 0.15% on insurance producer commissions.

Source: State of Hawaii, Department of Taxation — Monthly Tax Collection Reports.

STATE OF HAWAII

SALES TAX REVENUE PAYERS BY INDUSTRY
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	2013		2012		2011		2010		2009	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
Retailing	$1,185,446	40.3 %	$1,163,805	43.1 %	$1,035,465	41.5 %	$ 956,761	41.3 %	$ 972,728	40.1 %
Services	519,419	17.6 %	507,864	18.8%	477,753	19.3 %	446,142	19.3 %	442,356	18.3 %
Contracting	301,875	10.3 %	250,122	9.3%	227,497	9.1 %	234,562	10.1 %	305,241	12.6 %
Theater, amusement, etc.	15,986	0.5 %	15,776	0.6%	14,945	0.6 %	13,378	0.6 %	13,557	0.6 %
Interest	3	0.0 %	4	- %	74	- %	191	- %	339	- %
Commissions	42,064	1.4 %	38,848	1.4%	36,574	1.5 %	33,024	1.4 %	35,230	1.5 %
Hotel rentals	154,837	5.3 %	137,222	5.1%	120,954	4.8 %	104,260	4.5 %	112,484	4.6 %
All other rentals	255,074	8.7 %	246,151	9.1%	239,944	9.6 %	231,123	10.0 %	243,762	10.1 %
Use (4%)	41,015	1.4 %	41,797	1.6%	37,316	1.5 %	34,484	1.5 %	34,088	1.4 %
All other (4%)	114,396	3.9 %	109,989	4.1%	104,073	4.2 %	93,327	4.0 %	91,761	3.8 %
Pineapple canning	-	%	-	- %	-	- %	-	- %	-	- %
Producing	1,997	0.1 %	2,004	0.1%	1,850	0.1 %	1,697	0.1 %	2,023	0.1 %
Manufacturing	3,194	0.1 %	3,402	0.1%	3,488	0.1 %	3,517	0.2 %	4,045	0.2 %
Wholesaling	72,149	2.4 %	72,210	2.7%	65,608	2.6 %	61,036	2.6 %	62,509	2.6 %
Use (1/2%)	44,337	1.5 %	40,026	1.5%	33,347	1.3 %	32,152	1.4 %	34,415	1.4 %
Services (Intermediary)	3,139	0.1 %	3,265	0.1%	2,886	0.1 %	2,862	0.1 %	3,054	0.1 %
Insurance solicitors	697	0.0 %	716	0.0	721	- %	753	- %	803	- %
Unallocated collections	188,859	6.4 %	64,750	2.4 %	93,312	3.7 %	67,165	2.9 %	61,855	2.6 %
Total	$2,944,487	100.0 %	$2,697,951	100.0 %	$2,495,807	100.0 %	$2,316,434	100.0 %	$2,420,250	100.0 %

Source: State of Hawaii, Department of Taxation — Monthly tax collection reports

Note: Information for number of filers is not available.

STATE OF HAWAII

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Governmental Activities:					
General obligation bonds	$ 5,534,921	$ 5,475,348	$ 4,987,544	$ 5,157,198	$ 4,779,666
Revenue bonds	441,150	468,180	378,625	400,215	420,605
Capital leases	89,879	95,340	100,520	64,385	71,685
Total Governmental Activities	6,065,950	6,038,868	5,466,689	5,621,798	5,271,956
Business-Type Activities:					
General obligation bonds	32,934	34,611	36,221	37,362	38,329
Revenue bonds	1,326,112	1,370,314	1,410,624	1,248,680	861,423
Total Business-Type Activities	1,359,046	1,404,925	1,446,845	1,286,042	899,752
Total Primary Government	$ 7,424,996	$ 7,443,793	$ 6,913,534	$ 6,907,840	$ 6,171,708
Hawaii Total Personal Income	$ 63,209,000	$ 59,928,000	$ 58,129,000	$ 56,248,000	$ 54,413,000
Debt as a Percentage of Personal Income	11.7 %	12.4 %	11.9 %	12.3 %	11.3 %
Hawaii Population	1,404	1,392	1,375	1,300	1,295
Amount of Debt Per Capita	$ 5,288	$ 5,348	$ 5,028	$ 5,314	$ 4,766

Source: State of Hawaii Comprehensive Annual Financial Reports.
State of Hawaii, Department of Business, Economic Development and Tourism — Data Book, Census Data and Quarterly Statistic and Economic Reports (QSER).

Note: Details regarding the State's outstanding debt can be found in the notes to the basic financial statements

STATE OF HAWAII

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST FIVE FISCAL YEARS
(Amounts in thousands except ratio data)

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less Debt Service Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2013	$91,181,000	1,404	$5,534,921	$ 63	5,534,858	6.1 %	$3,942
2012	87,448,000	1,392	5,475,348	64	5,475,284	6.3	3,933
2011	79,281,000	1,375	4,987,544	109	4,987,435	6.3	3,627
2010	74,436,000	1,300	5,157,198	118	5,157,080	6.9	3,967
2009	78,034,000	1,295	4,779,666	68	4,779,598	6.1	3,691

(1) Source: State of Hawaii, Department of Taxation.
(2) Source: State of Hawaii, Department of Business, Economic Development and Tourism - Census Data.
(3) Source: State of Hawaii, Department of Accounting and General Services, Accounting Division.
(4) Excludes Enterprise Funds and Component Unit – UH general obligation bonds.

STATE OF HAWAII

LEGAL DEBT MARGIN INFORMATION
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Average General Fund revenues of the three preceding fiscal years	$ 5,659,152	$ 5,197,547	$ 4,992,943	$ 5,032,973	$ 5,126,782
Constitutional debt limit percentage	18.5 %	18.5 %	18.5 %	18.5 %	18.5 %
Constitutional debt limit for total principal and interest payable in a current or future year	1,046,943	961,546	923,694	931,100	948,455
Less total principal and interest payable on outstanding general obligation bonds in highest debt service year (fiscal year ended June 30, 2012)	(693,592)	(667,041)	(618,711)	(610,255)	(563,266)
Legal debt margin	$ 353,351	$ 294,505	$ 304,983	$ 320,845	$ 385,189
Legal debt margin as a percentage of the debt limit	33.8 %	30.6 %	33.0 %	34.5 %	40.6 %

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

STATE OF HAWAII

PLEDGE REVENUE COVERAGE
LAST FIVE FISCAL YEARS
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Revenue Bonds – Airports					
Gross revenue(1)	$ 385,841	$ 319,542	$ 322,639	$ 295,087	$ 288,583
Less: Operating expenses(2)	244,328	230,224	218,290	214,208	233,896
Net available revenue	141,513	89,318	104,349	80,879	54,687
Debt service requirements:					
Principal(3)	40,305	30,579	25,370	23,615	22,310
Interest(4)	40,705	34,440	35,319	21,300	17,453
Total Debt Service	81,010	65,019	60,689	44,915	39,763
Coverage(5)	175 %	137 %	172 %	180 %	138 %
Revenue Bonds – Harbors:					
Gross revenue(6)	$ 114,640	$ 104,678	$ 88,018	$ 74,155	$ 80,896
Less: Operating expenses(7)	44,048	41,202	37,650	36,930	47,814
Net available revenue	70,592	63,476	50,368	37,225	33,082
Debt service requirements	31,531	27,770	27,965	23,226	23,167
Coverage(8)	224 %	229 %	180 %	160 %	143 %
Revenue Bonds – Highways:					
Revenue	$ 428,136	$ 232,543	$ 197,142	$ 184,852	$ 189,498
Less: Operating expenses	245,863	173,811	165,857	179,400	189,987
Net available revenue	182,273	58,732	31,285	5,452	(489)
Debt service:					
Principal	26,320	22,465	21,570	20,535	16,150
Interest	21,047	18,906	17,195	18,028	15,823
Total Debt Service	47,367	41,371	38,765	38,563	31,973
Coverage(9)	385 %	142 %	81 %	14 %	2 %
Revenue Bonds – DHHL:					
Revenue	$ 12,585	$ 12,078	$ 12,036	$ 11,939	$ -
Less: Operating expenses	-	-	-	-	-
Net available revenue	12,585	12,078	12,036	11,939	-
Debt service:					
Principal	710	680	655	640	-
Interest	2,301	2,328	2,254	2,370	-
Total Debt Service	3,011	3,008	2,909	3,010	-
Coverage(10)	418 %	402 %	414 %	397 %	- %

(1) Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.
(2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal, and replacement plus amounts required to be paid into the General Fund for general obligation bond requirements.
(3) On January 5, 2005, Airports disbursed $69,300 for the Airport Revenue Fund to the paying agent to redeem the outstanding balance of the Airports System Revenue Bonds, Refunding Series of 2003 in its entirety
(4) For purposes of calculating the debt service requirement, interest payments for airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes.

For fiscal year 2005, Airports deposited $20,000,000 of available funds into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required pursuant to the provisions of Section 6.01 to be paid or credited during fiscal 2005 to the interest account as required in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.

For fiscal 2008, Airports deposited $10,000 of available funds into the Airports Revenue Fund for credit to the interest account in the current year to reduce the amount required pursuant to the provisions of Section 6.01 to be paid or credited during fiscal 2008 to the interest account as required in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

(5) Airports revenue bond indentures require a minimum debt service coverage percentage of 125%.
(6) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.
(7) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.
(8) Harbors revenue bond indentures require a minimum debt service coverage percentage of 125%.
(9) Highways revenue bond indentures require a minimum debt service coverage percentage of 100% during a routine year, 200% during the year bonds are issued, and 135% is required for any year Highways' funds are transferred out (i.e., General Fund).
(10) DHHL revenue bond indentures require a minimum debt service coverage percentage of 125%.

Coverage equals net available revenue divided by debt services.

Source: Airports Audited Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Airports Division
Harbors Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Harbors Division
Highways Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Highways Division

STATE OF HAWAII

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

	For the Fiscal Year Ended June 30,									
Source	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Population (in thousands):										
State	1,404	1,392	1,375	1,300	1,298	1,292	1,299	1,285	1,266	1,253
Percentage change	0.86 %	1.24%	5.77 %	0.15 %	0.46 %	0.54 %	1.09 %	1.50 %	1.04 %	1.13 %
National	316,129	313,914	311,592	308,746	307,007	304,375	301,580	298,593	295,753	293,046
Percentage change	0.71 %	0.75 %	0.92 %	0.57 %	0.86 %	0.93 %	1.00 %	0.96 %	0.92 %	0.94 %
Total Personal Income (in millions):										
State	63,209	59,928	58,129	56,248	54,413	54,181	50,131	47,339	44,111	41,028
Percentage change	5.47 %	3.09 %	3.34 %	3.37 %	0.43 %	8.08 %	5.90 %	7.32 %	7.51 %	8.44 %
National	13,904,502	13,150,560	12,691,347	12,530,101	12,015,535	12,225,589	11,879,836	11,256,516	10,476,669	9,928,790
Percentage change	5.73 %	3.62 %	1.29 %	4.28 %	(1.72)%	2.91 %	5.54 %	7.44 %	5.52 %	5.97 %
Per Capita Personal Income (in thousands):										
State	45,021	43,052	42,276	43,268	42,018	42,099	39,073	37,013	34,788	32,718
Percentage change	4.57 %	1.84 %	(2.29)%	2.97 %	(0.19)%	7.74 %	5.57 %	6.40 %	6.33 %	7.23 %
National	43,984	41,892	40,731	40,584	39,138	40,166	39,392	37,698	35,424	33,881
Percentage change	5.00 %	2.85 %	0.36 %	3.69 %	(2.56)%	1.96 %	4.49 %	6.42 %	4.45 %	4.99 %
Resident Civilian Labor Force and Employment:										
Civilian labor force employed	615,546	615,333	591,329	587,304	594,500	620,000	623,150	622,300	609,850	598,200
Unemployed	33,913	43,321	39,941	41,600	43,250	26,000	17,000	15,800	17,250	19,950
Unemployment rate	5.22 %	6.58 %	6.33 %	6.61 %	6.78 %	4.02 %	2.66 %	2.48 %	2.75 %	3.25 %

Source: State of Hawaii, Department of Business, Economic Development and Tourism - Census, Data Book and Quarterly Statistical Economic Report (QSER).
Bureau of Economic Analysis - Regional Economic Accounts
State of Hawaii, Department of Labor and Industrial Relations - Hawaii Workforce Infonet (HIWI)

Note: The Per Capita Personal Income amount is computed by dividing Personal Income by Population, multiplied by 1,000.

STATE OF HAWAII

TEN LARGEST PRIVATE SECTOR EMPLOYERS
2013 AND 2004

2013			2004		
Employer	Employees	Percentage of Total State Employment	Employer	Employees	Percentage of Total State Employment
Bank of Hawaii Corp	2,343	0.4%	Aloha Airgroup Inc.	3,558	0.6%
Hawaii Pacific Health	5,809	0.9%	Bank of Hawaii Corp	2,825	0.5%
Hawaiian Airlines Inc.	4,906	0.8%	Hawaii Pacific Health	5,434	0.9%
Hawaiian Electric Industries, Inc.	3,870	0.6%	Hawaiian Electric Industries, Inc.	3,197	0.5%
Kaiser Permanente Hawaii	4,564	0.7%	Hawaiian Airlines, Inc.	3,300	0.5%
Kamehameha Schools	2,400	0.4%	Kaiser Permanente Hawaii	3,790	0.6%
Kyo-ya Company LLC	3,310	0.5%	Kyo-ya Co. Ltd	3,753	0.6%
L&L Drive-Inn and L&L Hawaiian Barbecı	2,056	0.3%	Marriott International	5,200	0.8%
Securitas Security Services USA, Inc.	2,700	0.4%	McDonald's Restaurants of Hawai	3,750	0.6%
The Queen's Health Systems	5,234	0.8%	The Queen's Health Systems	3,689	0.6%

Source:
Hawaii Business, Annual August Issue
State of Hawaii, Department of Labor and Industrial Relations - Hawaii Workforce Infonet - Labor (Total State Employment)

Notes:
Total Annual Average Employment for Hawaii for fiscal year 2013 - 649,000 and for fiscal year 2004 - 617,000

Listed alphabetically

STATE OF HAWAII

STATE EMPLOYEES BY FUNCTION
LAST FIVE FISCAL YEARS

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
General government	4,419	4,394	4,381	4,381	4,752
Public safety	2,981	2,903	2,864	2,880	3,089
Transportation	2,275	2,202	2,160	2,158	2,290
Conservation of natural resources	972	929	941	983	1,146
Health	7,136	6,919	6,876	6,863	7,266
Welfare	1,940	1,800	1,788	1,848	2,404
Lower education	21,976	22,065	21,917	22,090	22,675
Higher education	8,978	8,795	8,687	8,732	9,066
Other education	-	454	473	482	516
Urban redevelopment and housing	116	127	130	146	154
Economic development and assistance	781	815	816	835	1,141
Total	51,574	51,403	51,033	51,398	54,499

Source: State of Hawaii, Department of Human Resources Development.

STATE OF HAWAII

OPERATING INDICATORS BY FUNCTION
LAST FIVE FISCAL YEARS

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
General Government					
Tax Commission:					
Total individual net income returns	612,373	703,262	747,237	665,057	682,178
Number of individual net income returns filed electronically	397,178	430,421	388,463	322,515	308,366
Percentage of individual net income returns transmitted electronically	64.86 %	61.20 %	51.99 %	48.49 %	45.20 %
Public Safety					
Inmate population:					
In-state facilities	4,438	4,396	4,423	4,047	3,928
Out-of-state facilities	1,415	1,677	1,667	1,940	2,077
Total	5,853	6,073	6,090	5,987	6,005
Conservation of Natural Resources					
Department of Parks and Recreation:					
Number of state-owned parks	53	53	53	53	53
Health					
Environmental health:					
Air quality sites monitored	14	12	14	13	14
Water quality stations	173	193	201	290	349
Mental health:					
Adult consumers served	10,728	11,062	11,194	14,633	15,772
Individuals with developmental disabilities served	2,599	2,558	2,438	2,661	2,879
Revolving loan funds	133	120	109	107	102
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF):					
Families per-month average	10,075	10,300	10,014	9,448	8,661
Average time on assistance	14.6	13.5	13.0	15.0	14.0
Monthly benefits paid for the month of July (in millions)	$ 5.47	$ 6.42	$ 6.17	$ 5.29	$ 3.46
General assistance:					
Individuals per month	5,687	5,633	5,298	5,068	5,014
Food stamp program:					
Number of persons participating	187,062	172,676	154,496	133,043	109,268
Number of households participating	94,649	86,418	77,133	66,885	54,925
Benefits issued (in millions)	$ 40.33	$ 37.18	$ 33.42	$ 28.74	$ 20.22
Medicaid programs:					
MedQuest enrollment (in thousands)	292,423	287,902	272,218	259,307	235,203
Lower Education					
Number of schools	286	286	287	286	289
Number of students	183,251	181,213	178,208	178,649	177,871
Staff:					
Classroom teachers	11,632	11,458	11,046	11,262	11,294
Librarians	192	199	204	225	249
Counselors	629	627	618	646	660
Administrators	823	806	734	728	747
Other support staff	8,987	8,975	8,408	8,607	8,654
Total	22,263	22,065	21,010	21,468	21,604

STATE OF HAWAII

OPERATING INDICATORS BY FUNCTION (CONT'D)
LAST FIVE FISCAL YEARS

	For the Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009
Higher Education					
Enrollment:					
Number of credit students	58,941	60,295	60,330	60,090	57,945
Degrees earned:					
Certificates/Associate Degrees/Advanced Professional Certificates	4,097	3,638	3,324	3,025	2,785
Bachelor's degrees	4,236	4,055	3,796	3,593	3,705
Master's degrees/Professional Diploma	1,095	1,287	1,269	1,216	1,185
Doctor's degrees/First Professional	508	494	496	351	354
Other	65	154	103	106	55
Total	10,001	9,628	8,988	8,291	8,084
Degrees by campus/college:					
University of Hawaii at Manoa	4,737	4,767	4,675	4,414	4,496
University of Hawaii at Hilo	809	915	731	601	614
University of Hawaii at West Oahu	349	301	255	242	221
Hawaii Community College	552	452	405	426	386
Honolulu Community College	551	565	559	486	504
Kapiolani Community College	1,193	987	851	783	702
Kauai Community College	216	196	208	162	163
Leeward Community College	770	721	657	608	503
Maui College	601	560	482	416	364
Windward Community College	223	164	165	153	131
Total	10,001	9,628	8,988	8,291	8,084

Notes: Migration to new registration system at the UH Community Colleges in Fall 2006 and at UH at Manoa, UH at Hilo, and UH at West Oahu in Fall 2006.

Source: General Government – State of Hawaii, Department of Taxation.
Public Safety – State of Hawaii, Department of Public Safety.
Conservation of Natural Resources – State of Hawaii, Department of Land and Natural Resources.
Health – State of Hawaii, Department of Health.
Welfare – State of Hawaii, Department of Human Services.
Lower Education – State of Hawaii, Department of Education.
Higher Education – University of Hawaii.

See accompanying independent auditors' report.

STATE OF HAWAII

CAPITAL ASSETS STATISTICS BY FUNCTION
LAST THREE FISCAL YEARS

	For the Fiscal Year Ended June 30,		
	2013	2012	2011
General Government			
Department of Accounting and General Services:			
Buildings	74	74	74
Vehicles	608	600	592
Department of the Attorney General:			
Buildings	5	5	5
Vehicles	3	3	3
The Judiciary:			
Buildings	19	18	18
Vehicles	18	18	17
Other Departments:			
Buildings	22	24	24
Vehicles	4	4	4
Public Safety			
Department of Public Safety:			
Buildings and Correction Facilities	74	74	74
Vehicles	274	277	278
Department of Defense:			
Buildings	98	97	97
Vehicles	118	112	81
Department of Commerce and Consumer Affairs:			
Buildings	4	4	4
Vehicles	-	-	-
Highways			
Department of Transportation:			
Buildings	36	36	34
Vehicles	984	951	958
Conservation of Natural Resources			
Department of Land and Natural Resources:			
Land area (in square miles)	6,423	6,423	6,423
Buildings	94	93	95
Vehicles	788	756	758
Department of Agriculture:			
Buildings	32	32	32
Vehicles	167	170	176

	For the Fiscal Year Ended June 30,		
	2013	2012	2011
Health			
Department of Health:			
Buildings	74	74	74
Vehicles	238	252	259
Welfare			
Department of Human Services:			
Buildings	18	18	18
Vehicles	110	107	111
Lower Education			
Department of Education:			
Buildings	8	8	8
Other Education			
Department of Education — Libraries:			
Buildings	38	34	34
Vehicles	27	28	27
Urban Redevelopment and Housing			
Department of Hawaiian Home Lands:			
Buildings	18	18	18
Vehicles	37	33	34
Economic Development and Assistance			
Department of Business, Economic Development, and Tourism:			
Buildings	32	33	33
Vehicles	30	32	33
Department of Labor and Industrial Relations:			
Buildings	8	8	8
Vehicles	2	2	2

Source: Buildings and Vehicles — State of Hawaii, Department of Accounting and General Services.
Lane Miles and Bridges — State of Hawaii, Department of Transportation.
Land Area — State of Hawaii, Data Book 2012.

This page intentionally left blank.